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PUBLIC REGULATION OF RAILROAD ISSUES

A substantial economic warrant exists for the exercise of control by the state over the issue of securities by public service corporations. But grievous misconception prevails as to the exact way in which over-capitalization, so-called, really puts the public interest in jeopardy. Aside from the losses to private investors, what, in point of fact, are the evil consequences to be feared and averted? The prevalent view underlying most anti-stock-watering legislation is that the prevention of over-capitalization is incidental to the making of reasonable rates. This was peculiarly true in the early days before the courts evolved the doctrine of the fair value of property as a basis for charges. In this connection stock-watering impinges upon physical valuation.¹ It seems to be true that, although the connection between capitalization and rates is not immediate, the volume of outstanding securities may oftentimes be indirectly a factor of considerable moment in rate making. But there is a far more weighty plea in the public interest for the prevention of unwise financing.

The strongest argument against over-capitalization is that it tends to interfere with proper maintenance—with the making, that is to say, of needed improvements and the rendering of satisfactory service. This is frankly conceded nowadays by official spokesmen of the carriers themselves.² Public interest in this regard merely confirms the dictates of business prudence, in the demand that a corporation should always hold itself in readiness to issue stocks or bonds advantageously in case of need. This it certainly cannot do, except under prohibitive penalties, if its bonds stand at heavy discounts and its stocks are quoted at merely nominal figures. This point cannot be too strongly emphasized. It is not primarily that the public suffers, as a result of over-capitalization, because a railroad is unable to pay a re-

¹ Cf. Ripley, "Railroad Valuation," *Political Science Quarterly*, XXII (1907), p. 600.

² *Railway Age Gazette*, LVI (1914), p. 61.

turn on all its outstanding securities without raising rates; but that interest and dividends may for a while be paid by the diversion of earnings which ought properly to be spent on maintenance and improvements. However the matter be viewed, it is the effect of over-capitalization upon maintenance, development, and adequate service, and not its effect upon the level of charges, which should occupy the forefront of the argument.

See how things work out in practice! The expropriation of the surplus of the poor old Alton road³ may or may not have affected its ability thereafter to charge higher freight rates than its competitors. However that may be, the fact that the treasury was so completely gutted that the Rock Island interests, on taking over the property, were compelled at once to issue equipment notes at ruinous rates in order to do any business at all, was the feature of public concern. All experience confirms this view. Consider the utter break-down of service in New England in 1912-1913, the intolerable delays and appalling accidents, as a result of the New Haven collapse. It was because all financial resources had been dissipated in seeking "monopoly at any cost," that not a penny remained, or could be raised, for the real business of transportation. Or, if you please, consider the metropolitan traction companies in New York.⁴ Millions of dollars were lost through the knavery of their managements; but fares remained at five cents throughout. Where the public suffered was through the pitiful collapse of the service. Despite the fact that the maximum life of street railway equipment was ten years, the surface roads made practically no allowance for depreciation from the organization of the Metropolitan Street Railway in 1893. For five years preceding the receivership not a new car was bought; and it was beyond the power of the company to buy. So completely had every resource been exhausted that funds were not to be had on any terms in order to put the service on its wheels. In brief, it was the collapse of the service attendant upon financial prostration due to stock-watering, which aroused public opinion and led to reform. To protect the standard of service in this way is, perhaps, even more vital an element in governmental policy than everlasting insistence upon reasonable rates. When service collapses, unlimited losses amounting to total confiscation fall upon

³Details by the author in *Political Science Quarterly*, XXVI (1911), p. 106 *et seq.*

⁴*Cf.* footnote p. 545, *infra*.

the community. Unreasonable rates may take a part, indeed, but never the whole.

Public policy in the matter of protection of common rights with regard to rates and service and of the interest of investors in the domain of railroad finance may assume either of two forms. The more modest one relies upon mere publicity as a safeguard against abuse. The other, more radical in type, seeks positively to regulate the amount and nature of the securities issued and thereby to exercise a strict and definite control over every detail of financial management. In view of the imminence of legislation by both the United States and Canada in this field, it is important to understand the advantages and limitations of each of these plans.

Strict and complete publicity, without further specific regulation, is the policy ably advocated by the federal Railroad Securities Commission of 1910.⁵ This body held that too much stress was being laid upon "keeping down the nominal amount of stock, and too little upon getting the actual amount of capital needed and having it properly used." Emphasis was also laid upon the ease with which such state statutes might be evaded. Moreover, it was repeatedly urged that the federal government in seeking to standardize railroad finance must beware of the appearance of a guarantee of quality. As phrased by the Railroad Securities Commission (1911):

We are told that if it was possible to standardize food by a pure food law, it ought to be possible to standardize railroad securities by a securities law. It is possible—to the same extent and no more. The pure food law enables a man to know what he is buying. It does not certify that the thing he buys is good for him. That is left to his intelligence. The government cannot protect the investors against the consequences of their unwisdom in buying unprofitable bonds, any more than it can protect the consumers against the consequences of their unwisdom in eating indigestible food.

The importance of this warning, that not even an implied guaranty of securities approved for issue follows their certification by a public commission, is found in the embodiment of such a disclaimer in all of the newer public service commission laws.⁶

The two general policies, mentioned above, as to the duty of the government in creating corporations—first, the older view that,

⁵ Ripley, *Railroads: Rates and Regulation*, p. 573.

⁶ *Commission Regulation of Public Utilities*, compiled by the National Civic Federation, New York, 1914. Cf. evidence for the I. C. C. before Senate Committee on Interstate Commerce, June, 1914, on the subject.

being creatures of the state, they should be guaranteed by it to the public in all particulars of responsibility and management; and the modern, quite opposite theory that, in the absence of fraud, an ordinary business corporation should be given a wide latitude in matters of organization and government—are admirably contrasted by the Massachusetts Committee on Corporation Laws of 1903.⁷ The attendant revision of corporation law in this state marked a turning point in policy. The modern theory was accepted, that for ordinary business corporations the state owes no duty beyond providing clearly that creditors and stockholders shall at all times be accurately informed of all facts attending both organization and management. Such, likewise, is the policy adopted by modern European states with respect to private corporations.⁸ Great interest in this field of late is shown in the passage since 1908 by no fewer than eighteen American commonwealths of so-called "blue-sky" laws.⁹ These statutes seek, in the main, the protection of unwily investors against fraudulent promotion; but their significance for us at this time lies in their avowed acceptance of the policy of complete publicity. With that, however, they are thus far content.

Is a passive policy of mere publicity in matters of finance, being thus more and more applied to ordinary corporations, adequate for dealing with railroads and other public service companies? The answer, so far as our separate state governments are concerned, is found in the action already taken during the last few years. For a long time Massachusetts and Texas stood alone in dealing with railroads by a more positive program of strict financial regulation. Their experience is reviewed later.¹⁰ But since 1908, partly as a result of activity by the federal government in rate regulation, no fewer than thirteen other states have followed in their train and have set up public service commissions of one sort and another.¹¹ Unlike the federal govern-

⁷ Ripley, *Trusts, Pools and Corporations*, ch. 15.

⁸ *Ibid.*, pp. 393-428, on England and Germany.

⁹ Arthur N. Ayres, "Governmental Regulation of Securities Issues," *Political Science Quarterly*, XXVIII (1913), pp. 586-593.

¹⁰ On state commissions in general, cf. Ripley, *Railroads: Rates and Regulation*, ch. 20.

¹¹ The thirteen states which have recently embarked upon such financial regulation, in addition to Massachusetts and Texas, are New York, Ohio, Missouri, Indiana, New Hampshire, Michigan, Wisconsin, Nebraska, Kansas, Arizona, California, Vermont, and New Jersey. For details consult *Commission Regulation of Public Utilities*, ch. 12.

ment, these states have not been content to stop at rate regulation or even supervision of operation. They have all extended their authority over financial matters as well. These new powers of regulation seem to be intended less for the immediate protection of capital than for the attainment of reasonable charges and satisfactory service. In outline, the laws define the issue or exchange of securities as the exercise of a special privilege calling for a formal license from the state. Such authorization is given only after public procedure in order to ascertain: (1) the amount and character of the expenditure, that is to say, the exact purpose for which the new securities are to be issued; (2) the public necessity or advantage of such action; and (3) the precise terms of the offering, together with the effect upon the financial status of the corporation.¹² Formal proof in these matters is followed by permission to issue the securities. And such authorization must in due time be succeeded by certification that the details of the prescribed program have been duly observed.

The experience of New York in regulating capital issues is most illuminating—because of the magnitude of the interests involved; because, unlike the western states, financial rather than rate regulation has been the main object of interest; and because of the exceptional ability and intelligence of the members of the administrative boards. For many years the old railroad commission had been an utter nonentity, abjectly subservient to the powerful railroad and trolley companies. In 1893 just before the formation of the Metropolitan Street Railway, when, for some reason, the commission refused its approval of a \$6,000,000 stock increase of the Pavonia Ferry road, Thomas Ryan and his friends had the securities printed just the same and then exchanged them for a like amount of Metropolitan Street Railway stock.¹³ To this high-handed proceeding the railroad commission interposed no objection. Under the initiative of Governor Hughes, two separate

¹²The necessity of strict definition of such delegated legislative powers arises from judicial decisions to the effect that without specific rules for the guidance of an administrative board in exercising control over the issue of securities the statute is unconstitutional. (*State v. Great Northern Railway* (1907), 111 N. W. Rep. 289.)

¹³The details of Metropolitan Street Railway finance are contained in the first four years' reports of the First District Commission. They are also reviewed in a series of articles by H. A. Bullock in the *Boston Transcript*, Oct. 3-14, 1908; in *McClure's Magazine*, Nov. and Dec., 1907, and Jan., 1908; and *Annals Amer. Acad. Pol. Science*, XXXI, pp. 535, 612.

public service commissions were created in 1907, one having jurisdiction over corporations within the First or metropolitan district, the other, with headquarters at Albany, being charged with responsibility for the rest of the state. It is this Second or up-state commission which has mainly had to do with railroads; but the same principles have been involved in supervising the financial operations of the public service companies in New York City. Some measure of the restraint exercised by the metropolitan commission may be gathered from the fact that, within four years from its creation, only \$89,000,000 out of a total of \$307,000,000 requested by the companies was approved. As for the up-state commission, within the first six years it authorized the issue of \$439,890,000 of bonds and \$50,820,000 of stocks by railroad companies alone.¹⁴ Within this time, practically every railroad in the commonwealth appealed to it for allowance of security issues for almost every conceivable purpose. The experience though brief is certainly most significant.

Concrete cases best describe the New York practice in improving and standardizing public corporation finance. In the field of railroad building, a bar is set against the classical abuses and financial manipulation.¹⁵ Capital accounts must be closed when building stops. Operating expenditures may not be capitalized even for a brief period; nor is allowance for experimentation at the expense of the public permitted.¹⁶ Insistence upon a clear distinction between capital and income account which lies at the

¹⁴ *State Regulation of Public Service Corporations in the City of New York* (P.S.C. 2d D., statement of Sept. 1, 1911), p. 45; 1 P.S.C. 2d. D.(1912) 113. Securities may not be authorized for more than one year without the approval of the commission and then only for: (1) acquisition of property; (2) construction, completion, or extension of facilities; (3) improvement or maintenance of service; (4) discharge or lawful refunding of obligations. In other words, three distinct purposes are contemplated; investment for the future on capital account; reimbursement of past expenditure on capital account; and refunding of obligations. The *Seventh Annual Report* of the up-state commission (p. 100) succinctly summarizes the main principles of its capitalization policy.

¹⁵ Described by the author in *Railway Age Gazette*, LVI (1914), pp. 1177, 1225.

¹⁶ 3 P.S.C. 1st D. 63. In this field of construction finance the admirable review in Whitten's *Valuation of Public Service Corporations* outlines the policy. Allowance is made for expenses of promotion (p. 265); for working capital (p. 296); for interest during construction (p. 258); for contractors' profits (p. 248); and for general overhead charges such as engineering (p. 229). But capitalization of early losses is not permitted (p. 551). Cf. the opposite policy in Wisconsin; 10 Wis. R. C. Rep. 872; and New Jersey, *infra*.

foundation of all sound financing, is continued throughout. In the second place, the issue of securities in order to pay for mere replacement of property has been severely condemned in a number of instances. The Lehigh and Hudson River road in 1909 was thus forbidden to sell bonds in order to reimburse its treasury for payments not properly chargeable to capital. On the other hand, expenditures made for investment in the property from income may with entire propriety—and, since amendment of the law in 1910, legally as well—be paid for through the issue of stocks or bonds. The Erie, in 1912, having satisfied the commission that within five years it had spent \$12,000,000 out of earnings upon its property, was permitted to capitalize it.¹⁷ As to whether non-revenue-producing expenditures, such as abolition of grade crossings, should be entirely capitalized, is a nice question depending upon one's view of the nature of surplus revenue.¹⁸ The up-state commission, noting a disposition to meet all such expenditures through the sale of securities, has wisely declared that the tendency "should be checked and repressed" in the interest of conservative finance. As to the dangerous plan of paying for improvements through the creation of a floating debt, the New York boards are in accord with the federal Securities Commission in condemning it flatly.

Another group of New York cases are concerned with the issue of securities in connection with consolidation. In the wide field of public utilities it doubtless appears in the public interest to permit a strong concern with low operating costs to absorb small, weak, or otherwise handicapped competitors. Yet the price paid for purchase is a vital element to be considered. The up-state commission in such matters adheres to the prudent plan of requiring amortization of the difference between the inventory cost of the physical property acquired and the price actually paid. The Delaware and Hudson case in 1908 showed the necessity of curbing the tendency to water the stock of a strong company through the purchase of subsidiaries at exorbitant figures. This railroad requested authority to issue bonds in order to take up notes representing acquisition of the Hudson Valley Railway together with certain undeveloped coal properties. Investigation revealed a good deal of scandal associated with the purchase of these properties prior to the creation of the commission. The original

¹⁷ 1 P.S.C. 2d D. (N. Y., 1912) 238.

¹⁸ *Quarterly Journal of Economics*, Aug., 1914.

transaction was a thing accomplished. The up-state commission had no power to change ownership or to review the expediency of issuing the original notes; but it positively declined to permit long-time bonds to be issued, on the ground that the properties covered by the mortgage were inadequate as to both intrinsic worth and earning power. The case went in the following year to the Court of Appeals which limited the commission's power through the declaration that the legislature had not intended to make this administrative board the financial manager of corporations or to empower it to substitute its judgment and discrimination for that of the directors or stockholders.¹⁹ So much for power to correct misdeeds in the past. But a closer reading of the opinion affirms the inherent right of the commission to prevent the recurrence of such abuses in the future.

Quite similar is another case which has recently been closely contested before the New York courts.²⁰ The New Haven railroad, it appeared, had paid over \$900,000 in 1912 for a trolley line which the commission found to be actually worth only \$400,000. It consequently limited the amount of New Haven stock which might be issued in payment therefor. The lower court held that whatever the property cost was controlling upon the commission, unless actual fraud was proven. But this opinion was unanimously reversed by the Court of Appeals in the first New York decision holding that cost of property is not necessarily a controlling factor in capitalization. There was no question of good faith involved, inasmuch as two powerful rivals were bidding against one another at public auction.

The payment of dividends from capital has likewise been prevented by the rulings of the New York up-state commission. The record in this regard showed a slight disposition to wobble; but, in the main, the policy was sound. The leading decision concerned the right of the Erie, in 1909, to pay a script dividend to meet its interest requirements. The commission by a divided vote in the preceding year had permitted this company to stave off a threatened receivership by issuing bonds to anticipate several years' interest payments, on condition that a like amount should be put back into the property during the period in question, out of earnings. Fears were entertained, in view of the absence of positive guarantees by the railroad, that a sound and conservative policy

¹⁹ 197 N. Y. 1; a precedent followed by Nebraska in 1912 in *Fifth Ann. Rep. Railway Commission*, p. 177.

²⁰ 158 App. Div. 251; reversed in 210 N. Y. 456.

was in jeopardy. But a subsequent decision prohibiting a stock dividend of 80 per cent for "property and services," as a cover for largely increased earnings and in order to distribute previous depreciation credit and surplus, manifested adherence to the only wise course to be allowed.²¹

The distinct issue of corporate reorganization, with its attendant increase of securities or perpetuation of preceding excessive issues, has not in the railroad field directly engaged the attention of the up-state commission. But the protracted struggle in the Third Avenue Street Railway case²² shows that the metropolitan commission from this viewpoint also has taken its responsibilities seriously. The closest analogy, indicating the attitude of the up-state commission, is that of the Watertown Electric Light Company in 1909. The commission apparently refrained from an unduly drastic policy in scaling down securities.²³ Unlike Texas, soon to be reviewed, the policy pursued did not seek to undo at one fell stroke a long course of financial excesses in the past. Nevertheless, a wholesome restraint and corrective was applied so far as practicable.

It will be observed that the same broad question is raised in both merger and reorganization cases as to the proper function of public regulation. Is it to be limited to present and future action, or is it to be retroactive in effect, seeking to correct or compensate for financial excesses in the past? It is evident that an attempt to disentangle these successive periods of time is a matter of the utmost difficulty. The results of men's misdeeds generally long outlive them. And yet impatience in seeking to undo the past at once may result in as grave inconvenience and injustice as neglect to consider it at all. This follows from the well-known principle that financial excesses are bound sooner or later to be reflected in corresponding market quotations for the securities. Innocent holders for value, considered in connection with the substitution of new securities for old under reorganization proceedings for example, may or may not already have incurred heavy losses through depression in price of their securities. One

²¹ Bronx Gas and Electric Light Co. (1909), case no. 1160.

²² *Quarterly Journal of Economics*, Aug., 1914.

²³ *Cf.* the Binghamton case (203 N. Y. 22 [1907]) where it was held that the commission had no power to permit an issue on condition that certain outstanding stock be cancelled; but that it could merely be determined whether the proposed issue was in accordance with the statute. *Cf.* the Fall River Gas Co. case (1913), 214 Mass. 529.

point is, however, clear—that the sooner a corrective policy, aiming to place the company upon a firm and substantial footing, is adopted, the sooner may the healing forces of nature bring about some measure of restitution.

In several respects the New York commissions have been more liberal, and perhaps wisely so, than those of Massachusetts and some other states. There has been steady insistence from the outset, as in the Interborough Rapid Transit case, upon public offerings of all securities, to the end that the companies may realize the largest possible amount from their financing. But, as we have already seen, the issuance of stock below par and, when necessary, of bonds at a discount has been allowed—the commissions being contented to provide the necessary safeguards through amortization within a reasonable period. The contrast with Massachusetts policy in these respects will soon appear. The extended experience of the metropolitan commission with the New York City Railway has led, however, to a rigid prescription of the manner in which discounts shall be handled in all such cases.²⁴ Neither the public nor investors may longer be deceived by an item in the balance sheet of "Construction and Equipment \$5,000,000," believing it to be a good asset; when, as a matter of fact, \$4,500,000 of this sum was discount on notes sold at 70 and redeemed at par within three months. Comparative liberality of policy in New York also appears in the allowance of bond issues to provide working capital and promotion and development expenses.²⁵ Restraint has also been imposed for the protection of minority stockholders, as in the refusal to permit the lease of the Ontario and Western by the New York Central.²⁶ And, finally, in the matter of refunding, the New York commissions have in various instances permitted the issuance of the new securities, but only when guarantee was offered, though giving more ample security, that the new bonds, if issued at par, should at least approximate their seeming worth.

The foregoing instances by no means cover all the details of these complicated proceedings, even in outline; but they at least afford evidence of the necessity for close supervision both in the public and private interest, and of the highly satisfactory manner in which the responsibilities imposed by the law in New York

²⁴ The commission regulates more largely through rigid accounting rules, aiming to prevent any capitalization of discounts.

²⁵ New Jersey is even more liberal, as will soon appear.

²⁶ 3 P.S.C. 2d D.(1913)261.

have been met. The spirit actuating the service is well summed up in the following quotation from a recent report:

While the commission does not, in making authorization of securities, in any way guarantee that the securities so authorized are a good investment, yet it is earnestly endeavoring to bring it about that the financial statements on the basis of which such securities are sold may be such that the investor will not be misled.

It is thus apparent that the features of complete publicity and strict regulation are esteemed to have equal weight under the New York law and practice.

It is broadly significant also that in New York state the experience has been quite parallel to that of the United States in respect of conflict of authority between the administrative and the judicial branches of the government.²⁷ The carriers in both instances have sought refuge from decisions of the commissions in restraining orders of the courts. A notable instance now in controversy is afforded by the New York Central Commutation Rate case. The commission ordered certain reductions in fares, from which appeal was promptly taken to the appellate court. In January, 1914, a decision was handed down annulling the order on the ground that the real merits were not passed upon. The inevitable result followed. Resort was promptly had to the legislature, which responded to local pressure and passed a special bill re-instating the rates annulled. This is the lesson of experience everywhere. Until the courts cease to hold it to be their function to review such cases on economic grounds and in the broadest way, the legislature is debarred from vesting full responsibility in the agent to whom it has delegated legislative power. Resort to special legislation is bound to follow adjudication of this character. It is certainly to be hoped that the New York Court of Appeals will follow the precedent laid down in the Illinois Central decision in 1910 by the Supreme Court of the United States.²⁸

The experience of Massachusetts in seeking honest capitalization by law is significant in several respects.²⁹ It reveals the possibility of too great strictness in financial regulation, or rather

²⁷ Ripley, *Railroads: Rates and Regulation*, ch. 14.

²⁸ *Ibid.*, p. 538.

²⁹ The following references will be found serviceable: Ripley, *Trusts, Pools and Corporations*, 1909, pp. 121-148; C. J. Bullock, *Pub. American Economic Association*, 3d series, X (1909), pp. 384-429; *Quarterly Journal of Economics* XXII (1908), p. 640. A good historical summary will be found in the Fall River Gas Co. case, 214 Mass. 529.

misplaced strictness in focusing attention upon the issue price rather than upon the provision in proper ways of an adequate supply of capital for the needs of the service. It also emphasizes the need of elasticity in procedure—not governing, that is to say, through rigid statutory rules; but, after laying down the law in general terms, giving play for the exercise of discretion in its application. Yet while defective for a time in these respects, no impartial student can deny that the effect of this Massachusetts legislation has on the whole been salutary. Had the New Haven system in its degenerate days before 1913 been subject, in fact, to as strict regulation under the laws of Connecticut as Massachusetts sought to impose, the disaster might never have occurred.

The best evidence of the soundness of this legislation at bottom is found in the statistics of capitalization of street railways. The steam roads are so largely interstate that comparisons are impossible. Connecticut until 1913 gave absolutely free rein to its trolley lines. Massachusetts held them in check. The average capitalization of street railways in Connecticut in 1912 was \$115,810 per mile of line. The corresponding figure for Massachusetts, including the Boston elevated system and its other costly city lines, was only \$63,300—practically one-half the Connecticut figure.³⁰ In other words, taking Massachusetts as a standard, over-capitalization in Connecticut was about \$52,500 per mile. Such evidence is conclusive as to the benefit of restriction. But the point may, nevertheless, be carried forward that it is possible to overdo a good thing.

The Massachusetts policy has been mainly concerned with fixing the issue price of capital stock, because of the circumstance that the New England roads have been so largely financed by this means. Bonds have played a relatively subordinate role. The aim has always been to limit the issue of securities to the *bona fide* investment of capital. The issue of stock merely as a bonus to promote the sale of bonds has never been tolerated. The lines of this legislation were for the most part laid down in the early days, when financing by subscription to share capital was everywhere the rule. Most of this stock, moreover, was sold in the beginning at a fair percentage of its face value. As a result, with the demonstrated success of the enterprise, stocks steadily rose above par instead of merely approaching it, as has been the case in other

³⁰ *Railway Age Gazette*, LII (1912), p. 15-32. *Trusts, Pools and Corporations*, p. 127, gives additional data for international and state and city comparisons in 1899.

parts of the country where share capital had at the outset no real worth. The main effort in Massachusetts, then, for many years, was to divide fairly the premium on new shares between the stockholders and the public. This task was imposed upon the Railroad Commission, which, while having only advisory powers in matters of rate making since 1869, was given full authority in the sphere of regulation of the issue of securities. But a review of the experience seems to indicate too microscopic attention to the mere matter of issue price, to the neglect of the broader issues of financial policy, such as charges to depreciation, the relative proportion of stocks and bonds, and the insistent demands for new investment in plant for the sake of the service.

The cardinal principle at law in Massachusetts has been to require that no securities of public service companies shall be issued except for cash and at not less than par value. The wisdom of the general plan is almost universally recognized; but the practical means of attaining the desired end without unduly hampering enterprise, have varied from time to time. The first plan, before 1871, was to prohibit all issues of stock except at par. This was manifestly unfair both to the corporation and to the public. It often deprived the former of whatever premium the stock would command at public sale; and it sometimes permitted distribution of an accumulated surplus by means of excessively valuable subscription rights. The second plan, in effect from 1871 to 1878, was to require that all new shares should be sold at public auction.³¹ This was perhaps borrowed from the long-standing English custom of "auction clauses," requiring gas companies to put forth their securities in this way. But this violated the traditional rights of stockholders to preference in all such transactions. Moreover, it opened the way to contests for control between rival interests, which violently disturbed market prices. At this point in 1893, came the illuminating experience with the Connecticut River road, elsewhere set forth.³² This led to the anti-stock-watering law of 1894, prohibiting the issue of share capital at other than the market value, this value to be ascertained by the Railroad Commission.

The Massachusetts law of 1894 undoubtedly restrained the issue of watered stock. Shares were issued under it in some cases

³¹ As early as 1877 the Railroad Commission applied the principle "although with considerable hesitation" that capitalization should not exceed the value of the tangible assets minus the liabilities. (*Reports*, 1877, p. 127.)

³² *Quart. Journ. Econ.*, Aug., 1914.

at premiums as high as \$90. The Boston and Maine road put forth new shares at different times at \$190 and at \$165 in cash. Street railways to 1908 applied 207 times for increases of capital. In 54 instances a premium was prescribed; in 153 the emission was at par. As I have stated elsewhere:³³

The plan worked well as long as investors were in optimistic mood. And it happened that throughout the following decade, to 1903, the trend of market prices was steadily and sometimes strikingly upward. In consequence, shareholders almost immediately realized profits from subscriptions even at these high prices. To be sure, a very difficult task was imposed upon the railroad commission—that of determining in advance what the price would be after the new issue had been made. It was largely a matter of guesswork, and instances occurred in which “rights” were transferred into losses. Moreover, as was urged by the companies affected, this process of emitting shares at various prices introduced great inequalities as between different shareholders, in respect of the rate of return upon their investment. To the stockholder who subscribed at \$190 per share, dividends at the rate of eight per cent obviously yielded only about one half the rate of return which accrued to the old subscribers at par. In the determination of the reasonableness of general rate schedules, it was held, this would greatly embarrass both the legislature and the courts. Other details of this legislation were found to work hardship in practice; such as the limitation of bonded debt to the par value of the share capital (which still left the door open to the creation of heavy current liabilities), and the prohibition of stock issues to cover promotion expenses or to provide working capital. With the panic of 1903, the unduly drastic character of the law became plainly apparent. Funds for development could scarcely be raised at all. One important company was obliged to borrow on its short-time notes at eight per cent, because of inability to market its stock at the high premium fixed by the railroad commission. Nor could it issue bonds, because of the limitation of indebtedness to the outstanding share capital.³⁴

Conceding fully the desirability of sharing between the public and the corporation the benefits of a premium upon the issue of new stock, a special commission recommended a more liberal policy. Limitation of the rate of return upon investment to what was practically a savings-bank rate had dried up the sources of capital for improvement. The new law of 1908 amended the system by permitting new shares to be offered for subscription at a price not less than par, to be determined by the stockholders subject to the approval of

³³ *Political Science Quarterly*, XXVI (1911), pp. 120-121.

³⁴ Increased to double the capital stock in 1913 as the price of permitting the creation of a new public service commission, as seen below.

By new legislation in 1909, capitalization for working expenses was allowed; and the Boston Elevated issued \$1,000,000 bonds for the purpose in 1914. A bill is now pending to permit capitalization of replacement outlay.

the railroad commission.³⁵ The control of the state is still supreme, but an opportunity is offered for such liberality on the part of corporations and their shareholders as shall insure the success of their issues. Premiums of \$25 per share, carrying rights worth as high as \$5, have already been allowed.

The objection to this more liberal policy, vehemently urged, was that in times of abounding prosperity, stockholders might be tempted to fix prices of emission so low as practically to entail stock-watering. But the reservation of power to disapprove of these terms appeared to be a sufficient safeguard.³⁶ It was generally recognized as a result of this varied experience that both public and shareholders had rights which must be respected. Complete freedom of issue leads to inflation. Too drastic restriction dries up the springs of capital upon which the public must depend for future development. A wise course lies intermediate between the two. The decline and fall of the New England railroads in 1912-1914 has stood in the way of any decisive test of the latest principle adopted. And the entire reorganization of the old railroad board, in 1913, creating a new public service commission, has brought both powers and procedure more nearly into line with the practice of New York and the other American states.³⁷ The old advisory railroad commission of 1869 was transformed after forty-four years into the present administrative board which differs little from that of New York. This legislation, however, afforded a most disquieting evidence of the power of a railroad lobby. Despite the incisive campaign waged by Governor Foss for three years, the New Haven Railroad demanded and, as the price of its consent, received a clause enabling railroads to issue long-time securities up to *twice* the amount of their outstanding capital stock. This iniquitous provision runs counter to all the dictates of business prudence. What will happen as a result remains to be seen.³⁸ At the same time, in the matter of rates, mandatory rather than recommendatory powers were in general conferred.

³⁵ The liberalization of the general corporation law at the same time is discussed in *Quarterly Journal of Economics*, XVIII, pp. 269-280; reprinted in *Trusts, Pools and Corporations*, pp. 382-392.

³⁶ The law was construed in the *Fortieth Annual Report of the Board of Railroad Commissioners of Massachusetts*, p. 155, as follows:

The phrase "so low as to be inconsistent with the public interest," undoubtedly difficult of exact definition, must, in connection with the legislative act of 1908, be taken to mean in any specific case *an issue price materially lower than a price which would assure a ready market for the issue.*

³⁷ *Quarterly Journal of Economics*, XXVII (1913), p. 699.

³⁸ Cf. p. 560 *infra*.

The regulation of railroad capitalization in Texas under its so-called Stock and Bond law of 1893 is instructive especially when taken in connection with the experience of Massachusetts, just described.³⁹ Both states strictly forbade the issue of new securities without approval by public authority. But the motives, as reflecting differences in the local situations, were strikingly contrasted. Texas was mainly interested in the regulation of rates at the start. Massachusetts had an eye to the welfare of investors. But both alike since that time, as we shall soon see, have come to recognize that the main consideration in regulating security issues is to safeguard the character of the service. Texas, then an undeveloped country, was newly berrailroaded by companies heavily over-capitalized as a result of optimistic promotion. In Massachusetts, on the other hand, the stock-watering operators were, so to speak, "accessories after the fact." New England roads had originally been most conservatively built. Few, if any, bonds had been issued. Stock had been paid for in full at par. The threat of an overload of securities as compared with the growth of earnings appeared late in the life of the companies.⁴⁰ In this densely populated territory the increment in land valuations and especially terminals had probably brought assets to more than an equality with the volume of securities outstanding. But it had become evident that without restraint stock-watering in future might take place in order to provide a broader basis for distribution of increased earnings. Texas, on the other hand, was endeavoring to "squeeze the water" from its roads, already heavily over-capitalized in connection with construction. In other words, Massachusetts was applying a close-fitting straight jacket to full-grown corporations in order to prevent future violence; while Texas sought to withhold youthful and bumptious companies from making engagements for the future until they had grown to the measure of the financial garments already on their backs. But whatever the motive in either case, the Texas experience confirms that of Massachusetts in the demonstration that it is possible to overdo a good thing; to be too rigid and strict in pursuance of a normally laudable policy; and that not all the mistakes of two generations past can be corrected in the twinkling of an eye by means of a statute.

³⁹ The best references from opposing points of view are as follows: *Texas Academy of Science*, Presidential Address, 1902; *Quarterly Journal of Economics*, XXII (1907), pp. 109-119; *Bull. University of Texas*, No. 236 (1912), pp. 83-120.

⁴⁰ P. 553 *supra*.

The Texas Stock and Bond law of 1893 declares that the power and authority of issuing or executing bonds or other evidences of debt and all kinds of stock and shares are special privileges and franchises; and that the right of supervision and control is vested in the state. It is specifically provided that "no bonds or other indebtedness shall be increased or issued . . . over or above the reasonable value of said railroad property": although in case of emergency, bonds and stocks may be executed to an amount not exceeding 50 per cent of the valuation. Under this Texas law, therefore, it is evident not only that all bonds must be authorized and approved but that they must be actually registered. No further issues may take place until all previous over-capitalization has been expunged. Such obliteration may take place either by reinvestment of earnings in the property, or else through gradual appreciation of assets due to the growth of the country. For, under the law, valuation being based upon the cost of reproduction, donated property, such as land, may be inventoried at present or prevailing prices. In the administration of this statute, a sharp distinction is made between those properties constructed and capitalized before the passage of the law, and the new roads built since that time. For all new construction of independent roads the commission applies an arbitrary scale of costs which seems to be sufficiently liberal to allow for promoters' profits, seasoning of the property, and even a certain value for the franchise. But great hardship has arisen in the application of the law either to old roads or to extensions and improvements attempted by these older properties. So evident did it become that an entirely different mode of treatment was necessary for the two classes of railroads, that the law was amended in 1901 so as to permit the separate and independent capitalization of extensions, regardless of the over-capitalization of the main stem.

The prime result contemplated by the Texas authorities being to impose a check upon over-capitalization, it is beyond question that this has been attained. How rigid the limitations were may be instanced by the case of the Houston and Texas Central. Between 1892 and 1906 the length of this road expanded from 507 to 694 miles, while the total capitalization was actually reduced by about \$1,000,000; that is to say, the average stocks and bonds per mile of line dropped from \$50,900 to \$35,700. Similar results followed all over the state. Between 1894 and 1906

the railway mileage in Texas increased by about one fourth, to a total of 12,058 miles. The stocks and bonds outstanding per mile of line during these thirteen years dropped from \$40,802 to \$31,530. This result so ardently desired by the advocates of the law was, it must be said, somewhat nullified during the last ten years of the period in question by an increase of floating debt from \$30,300,000 to \$76,500,000. The ominous significance of this growth of current liabilities lay in the fact of the commission's flat refusal to permit it to be refunded. This is obviously the logical application of the law, namely, not even to permit the increased valuation of the property due to improvements of any sort to be paid for by new securities until the outstanding capitalization has been brought down to the limits of the actual investment. The situation is paradoxical enough, with railroad properties continually increasing in worth and earning capacity but accompanied by a steady decline both in the volume and, it may be added, the market prices of their shares.

One effect of the restrictive Texas law has, then, undoubtedly been to penalize improvements and betterment. Considerable new construction, as we have seen, has taken place; but, on the other hand, the speculative or even the dishonest promoter has by no means been eliminated. The recent Frisco scandals were largely concerned with the over-capitalization of Texas branch lines. The most serious result, however, is the discouragement of improvements such as the substitution of heavy rails for light, the replacement of wooden structures with steel, the reduction of grades, better stations, etc. The strict policy of the commission has been somewhat relaxed since 1907 in case of equipment security issues. And, as above mentioned, the independent capitalization of extensions is permitted. But a heavy hand still rests upon all bond issues for betterment of the existing lines of the older companies. The fact seems to be ignored that a close interrelation obtains between the amount of the investment and current operating cost.⁴¹ Consequently, in the absence of large additions to plant, the level of operating expenses stands so high that little or no net earnings remain. In 1906, twenty-three of the fifty-five railroads in Texas reported a deficit.⁴² Under such circumstances whatever new capital for improvements was imperatively demanded has had to be raised by the use of collateral trust bonds, issued upon their

⁴¹ Ripley, *Railroads: Rates and Regulation*, p. 66.

⁴² *Railway Age Gazette*, 1903, p. 106; and especially 1913, p. 1151, "Hearings before the Texas Welfare Commission."

own superior credit by parent railroads outside the state although secured by the assets of Texas lines.⁴³

The conclusion is unavoidable that people resident in other states have furnished Texas with transportation for which it does not pay. The antiquated physical valuations used as a standard for capitalization also fail to recognize the degree to which the growth of the country has tended in itself to bring the volume of securities outstanding into accord with the present worth of the investment. Physical valuations as a consequence stand far below the assessments for purposes of taxation. It appears that the development of the country has already automatically "squeezed" much of the water out of its railroad capitalization; and that economic conditions are now ripe for the inauguration of a more liberal policy in future.

The Texas law seems to demand amendment in such a manner as to release the railroad commission from the arbitrary and exacting mathematical requirements of the statute; and to permit it, like the New York commissions, to exercise a reasonable discretion in authorizing railroads to issue securities for all legitimate purposes. It seems probable also that the law is theoretically defective in seeking to prevent all stock-watering in connection with new construction. This point is indeed indirectly conceded, as we have already seen, by the liberal way in which construction costs are measured. Texas, above all things, stands in need of transportation development by reason of its vast area. The discouragement to prospective investors is almost abject. It is certain that not only the issue of bonds at a discount, but even resort to stock bonuses in order to promote the sale of bonds, may at times be necessary in order to procure an adequate supply of new capital under the risks attendant upon pioneering.⁴⁴ But, whatever one may think about stock-watering as a necessary concomitant of construction, the Texas experience clearly demonstrates that a drastic attempt within a brief period to correct all the excesses of the past,⁴⁵ may so completely discourage enterprise in the present as to militate against the public interest.

⁴³ *U. S. Railroad Securities Commission*, p. 30. Cf. the Pecos Valley line.

The Pecos Valley branch of the Santa Fé system is partly in Texas, partly in New Mexico. The L.C.C. found in a rate case the former capitalized at \$8,000 per mile, the latter \$42,000, with no difference in actual cost. *Railway Age Gazette*, LVI (1914), p. 322.

⁴⁴ Cf. Commissioners Meyer and Knapp, *Hearings on Rate Increases*, III (1910), p. 2513.

⁴⁵ Cf. p. 549 *supra* on the attempt in reorganization proceedings in New

The regulation of capitalization by other states than those already described has been too brief to call for extended comment. Wisconsin has in a measure manifested an interest in this aspect of affairs, since 1907; but so far as railroads are concerned the supervision of security issues is quite perfunctory. The first law merely called for the filing of data, after which the commission was required to certify the issue. But the law was amended in 1911 by providing that stocks or bonds should be limited to the amounts reasonably necessary for the purposes stated. Authority was conferred upon the commission to determine whether these purposes were lawful and whether the amount was, in fact, reasonable. But no occasion has yet arisen calling for a formal decision or opinion. This is somewhat extraordinary in view of the fact that the total number of stock and bond authorizations for all classes of public service companies for the six years since 1907 amounts to 670—an average of about 100 cases a year.

The record of the recently created New Jersey commission is more positive. A number of suggestive principles have already been laid down in the course of two years' experience. Thus it was held in a case of over-capitalization as a result of merger, whereby practically half of the securities outstanding were based upon "anticipation rather than solid assets," that the company could not set up its capitalization or its contracts as a bar to the state's exercise of power over rates.⁴⁶ Offerings of securities, as in New York, must be publicly made in order to afford an opportunity for the company to realize the best possible price.⁴⁷ Equipment trust bonds may not be sold at favorable prices based upon their high standing as "purchase-money mortgages" unless, as a matter of fact, new equipment is really acquired by this means.⁴⁸ Mortgage indebtedness aggregating possibly three times the capital stock departs so radically from the old-established principle that loans ought not to exceed assets, that the New York Central refunding mortgages in 1913 were disapproved as to property

York and Nebraska to scale down excessive past issues by prohibiting an exchange par for par.

⁴⁶Public Service Gas Company, December 26, 1912. Affirmed by the New Jersey Supreme Court, June, 1913. "The ultimate question is a question of business and the results cannot be predicted. In such a case the commissioners ought to move with caution. We think in this case they have done so."

⁴⁷North Hudson County Railway case, Dec. 5, 1913.

⁴⁸Public Service Railway Company, Mar. 3, 1914.

within the state of New Jersey.⁴⁹ On the other hand, the fundamental principle is clearly enunciated that regulation implies protection against competition as a necessary corollary. It is against the public interest to permit two monopolies, both subject to regulation, to invade one another's territory.⁵⁰ The record of this New Jersey commission, although short, seems likely to entitle it to a commanding position among administrative boards of this type in the United States.

A few additional cases from other parts of the country indicate certain significant tendencies. The contrast in attitude toward construction between the well-settled East and the undeveloped territory in the West is striking. The general need of transportation facilities in the latter case renders it particularly difficult to resist the temptation to admit newcomers regardless of consequences. In other words, the settled policy in the East of recognizing and protecting transportation as a local monopoly is far less rigidly applied. Thus in Nebraska,⁵¹ although the commission by constitutional amendment may disapprove of competition, invasion of already occupied territory is not forbidden, on the ground that it "involves such grave responsibility that the commission will not exercise it unless specifically directed so to do by the legislature."

In California such competition in invading virgin territory is obviated by the device applied to the Northwestern Pacific Railroad of an equally divided ownership of stock between the Atchison and the Southern Pacific.⁵² But, it appearing that \$35,000,000 of stock at par is carried on the books of these companies at only \$7,600,000, a physical valuation of the property is demanded as a prerequisite for further bond issues. There is no evidence, however, of a disposition to imitate the rigorous Texas plan of expunging this watered stock before permitting further issues for construction. A more positive restraint in another California

⁴⁹ Decision, Dec. 19, 1913.

⁵⁰ New Jersey Power Company, decided January 27, 1914. Well expressed for New York in the repeated refusal by the up-state commission to permit the financing of trolley lines paralleling the New York Central from Buffalo to the Hudson River. 3 P.S.C. 2d D.(N. Y., 1913) 55.

Marked liberality in treatment is also manifested in the allowance of capitalization of expenses of development. This is unique. Cf. P.S.C.(N. Y., 1912), 246, allowing 30 per cent of the capitalization for the special value of "plant with a business attached."

⁵¹ *Railway Commission, Sixth Ann. Rep.* (1913), p. 255.

⁵² Railroad Commission, 1914, decision no. 1428.

case is manifest.⁵³ A railway petitioned for \$15,000,000 at par of bonds to complete construction. The road was evidently needed; but, in view of the stated evil of overissue of bonds, authority was granted to substitute for the above-mentioned issue, \$10,000,000 in bonds and \$3,000,000 in stock at par instead. This attempt to maintain a due relation between capital stock and indebtedness recalls the above-mentioned Nebraska case which permitted a similar over-weight of bonds, but only on the ground that no other financial plan was feasible.⁵⁴

Another recent case, in Missouri,⁵⁵ affords an interesting example of all of the abuses of construction company finance of the classical sort. Frank disapproval of these practices is, however, coupled with the submission of a well-ordered plan by which the road may be honestly built. The powers and intelligence of the Michigan commission are now on trial in disentangling the involved finances of the Père Marquette road. Refusal by this body to allow issue of short-term notes against a deposit of bonds as collateral on such terms as to create a much greater liability than the loan represented, precipitated a receivership.

The course of events in recent years, despite the activity of the several states in regulating capitalization, has emphasized the need of legislation in this field by the federal government. Several bills are now before Congress upon the subject. This federal interest in capitalization has in part arisen from the ever-increasing complexity of inter-corporate relation. Few railroads now confine their activity within the boundaries of a single state. The several scandals incident to the late collapse of the New Haven, the Rock Island, and the Frisco systems, each of them widely interstate in character, have demonstrated the need of federal interference. From the railroad point of view, also, the desirability of an enlargement of the scope of authority of the Interstate Commerce Commission has been established through the well nigh intolerable conflict of authority of the many public

⁵³ Railroad Commission, 1914, decision no. 1264.

⁵⁴*Cf.* the New Jersey disapproval, heretofore cited, of the New York Central bonds; and, on the other hand, the amendment of Massachusetts law in 1913 permitting bonds to thrice the amount of capital stock, instead of twice as formerly.

⁵⁵P.S.C.(1913)141. The prohibition of any loans by the construction company based upon deposit of the railroad stock, until the property is actually created, closes the door to such abuses as occurred in the Hampden case in Massachusetts. *Railway Age Gazette*, LVI (1914), p. 1180,

service commissions and state courts now at work in this field.⁵⁶ No fewer than six different state commissions are said to be taking a hand in the pending reorganization of the Wabash. The approval of each is necessary for validation of the plans, and it is impossible to obey so many masters. It is also daily becoming more clear that the conflict of state and federal authority in the regulation of rates can be averted only by the assumption of unified financial control by the United States.⁵⁷ Rates, service, and finance are so completely interlocked that satisfactory regulation in each field cannot be exercised except by the assumption of full authority over all three domains alike.

The foregoing recital of the causes of federal interest in control of capitalization seems to dispose summarily of the recommendations of the Railroad Securities Commission of 1910 in favor of a conservative policy of mere publicity. It would appear as if, in order to relieve the carriers from the conflicting and sometimes harassing exercise of power by the different state boards, the only course would be to confer equally broad powers upon the Interstate Commerce Commission. Otherwise the state commissions might not be retired from the field. This, likewise, is the principal objection to a plan of control intermediate between mere publicity and strict regulation.⁵⁸ The prevention of issuance of securities for improper purposes, and of immoral profits to insiders, as well as a guarantee that all moneys raised shall be rightly expended for the public good, might conceivably be brought about through a greater concentration of responsibility upon directors. They might be required, for example, to subscribe to a full and sworn statement on the corporate minutes as to these details and thereafter be made criminally liable at law. Did not the state commissions, endowed with much broader discretionary authority over the issuance of securities, already exist, this plan might have much to recommend it. At all events it would do away with such dummy directors as were used by the Mellen

⁵⁶ Cf. the conflict of laws in the New Haven case in 1908 respecting validation of securities in Massachusetts of a corporation chartered in Connecticut (198 Mass. 413). The Validation Act of 1910 was a necessary consequence.

But the Supreme Court decision in the Shreveport case, just rendered, considerably clarifies the situation.

⁵⁷ Ripley, *Railroads: Rates and Regulation*, ch. 20.

⁵⁸ *Railway Age Gazette*, LVI, 1914, p. 62. Embodied in H. R. 13454 presented by Mr. Esch of Wisconsin. It provides for the issuance of a certificate of notification. A bill for positive regulation is embodied in H. R. 12584.

administration of the New Haven road in the cases of the Billard Company and other subsidiary corporations.⁵⁹

But these state commissions can hardly be expected or required to withdraw from the field unless an equal measure of authority is conferred by Congress upon the Interstate Commerce Commission.⁶⁰ The advantage of singleness of purpose and uniformity of treatment certainly attaches to such assumption by the United States of the present functions of the different commonwealths. Evasion of control, now so prevalent under the present system of divided responsibility would be brought to an end. And, finally, it now appears that the objection brought forward by the federal Securities Commission, that public opinion would not support the assertion of exclusive federal jurisdiction, no longer holds good. Whether at the same time federal incorporation is desirable would seem to be more problematical.⁶¹ But it is clear that the time has now arrived when certainty and simplification of control in the interest of all parties concerned, can be secured in no other way.

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⁵⁹ Investigation by the Interstate Commerce Commission in May, 1914, to be embodied in a report to the Senate.

⁶⁰ The remedy of an interchange of views between federal and state boards as a means of securing harmony, illustrated in respect of safety appliances and standardization of accounts, fails at this point.

⁶¹ Railroad Securities Commission, p. 25.

SOME NEGLECTED PHASES OF RATE REGULATION

Fluctuating Prices and the Earnings of Capital

Although the connection between rising or falling prices and the rate of interest has long been recognized, there is little evidence that the knowledge of this fact is a working force in business; and the writer has as yet seen no attempt to apply it to the problems of regulation. Yet in deciding what is a reasonable rate of return on capital invested in a quasi-public enterprise, surely we cannot claim to have settled the question with perfect justice if we ignore the fact that a five per cent income, thinned by a two per cent annual loss in the purchasing power of the principal, is no better than three per cent would be in an era of stable prices, or one per cent at a time when prices are falling two per cent a year. And especially if the market rate of interest changes so as to make the real return more nearly equable, must not this play some part in calculations of just compensation?

That business men themselves are slow to recognize this fact must have been the conclusion of any one who reads their utterances in the financial journals during the recent depression, notably in the matter of the low prices of high-grade securities and the high rates of interest necessary to float new bond issues. These rates were not high enough to be more than a tardy and partial compensation for the great fall in the purchasing power of money which began in 1896. Possibly, if this fact were fully realized by business men, they would not regard every rise in interest rates with so much alarm, nor feel that the soundness of credit is tottering on the brink of disaster merely because interest rates are unusually high.

If the resistance to an inevitable rise of interest rates takes the shape of substituting preferred stock for bonds, as it seems to have done in part, this may of itself prove to be a wholesome feature, making for fewer receiverships. But the virtue lies not in refusing to pay a high rate; rather in compelling the investor, in exchange for a frankly high rate of return, to accept a security that carries no right of foreclosure if the specified rate is not paid. To appreciate how wholesome such a change may be, one need only realize that the railroads have been so fully bonded already that in 1911 only 38.9 per cent of their outstanding securities (not owned by railroads) were stocks, and 61.1 per cent

were classed as funded debt.¹ But can a policy be wholly good which is founded on ignorance? which assumes that the situation is due to one set of causes of a very transient sort when the probability is that it is really due in part to another chain of causes far more permanent?

To a considerable extent, the roads followed the more risky policy of borrowing on short-time notes, trusting to be able to refund them at lower rates of interest when they should fall due. They were acting on the supposition that the "stringency" was to be temporary. And the result at the moment of writing these words² bids fair to justify their expectations. But is this always a safe policy to follow when rates of interest are higher than they have been for the decade preceding? What if the "stringency" is chiefly the result of a shrinking dollar, and what if the dollar should go on shrinking? The recent high rates of interest on good securities were not great enough to compensate the lender fully for the annual cheapening of his principal. If the present fall of prices is merely temporary and if they recover and go on rising as before, we may expect the compensation to become more perfect. In that case, interest rates might rise higher still, to the disappointment of those who had counted on being able to refund at a saving. The issuance of short-time notes to raise funds for more or less permanent equipment is always risky financing, and those responsible should be very sure that the stringency is due to temporary causes before they take the chance.

I am not denying the fact that periodical swings of prices are involved in the cycles of business activity and depression so searchingly analyzed in the recent monumental work of Professor W. C. Mitchell. But these swings are superimposed on other longer movements that seem to spring from changes in the supply of specie in its relation to the industrial demand, to the volume of exchanges, and to the volume and the long-run efficiency of the machinery of credit. As a result, the normal levels of prices, and even of interest rates, to which the business world returns on completing one of these cycles, are not likely to be exactly the same levels as those which prevailed at the beginning of the period.

For instance, at the present moment, the great rise in prices which has lasted over fifteen years seems to have been checked. If this is but temporary, rates of interest may remain high, despite recovery from the "silent panic" of 1913. But if this is the be-

¹ *Statistics of Railways, 1911*, Interstate Commerce Commission, p. 33.

² May, 1914.

ginning of a long downward movement, then we should look for lower and lower interest rates, more like those which prevailed toward the end of the last great fall in prices. So far as the fall in prices in the United States may be due to the revision of the tariff, it is not likely to continue. So far as it may be due to the slight falling off of gold production which was reported for 1913, that seems to have been due to temporary causes. Clearly it is not yet safe to build on the hope that the day of high prices is over. Sound business management demands serious study of these things.

But the business man has a better excuse for ignoring them than have those engaged in the task of public regulation, for he is not supposed to be looking after any one's welfare but his own. To be sure, as all know, his mistakes do hurt his neighbors and all with whom he has business dealings, but at least the sinfulness of his blunders is not marked upon him, as upon the judge or utility commissioner, by the badge of official responsibility. Moreover, we are satisfied if the business man succeeds in the task of shrewdly forecasting the actual course of earnings and expenses, while the public official is popularly supposed to be dealing with the ethical issue of fairness. The business man can perhaps afford to throw ethics to the winds and to ignore changes in prices that bring him an unearned increment at the expense of investors (and wage-earners), provided only they are not followed by changes in wages and interest. But can the regulator of rates acquit his conscience so easily?

Arbitrators of railroad wage disputes are giving out awards based on the increased cost of maintaining a reasonable standard of comfort, and "putting it up to" the Interstate Commerce Commission to allow higher rates in case the present scale of charges is not high enough to pay the increased wages and still leave a reasonable return on invested capital. But, so far, there is little indication that regulating boards have taken a corresponding attitude toward the effect of rising or falling prices on the investor. If there is an independent standard of fairness to investors similar to the conception of a fair standard of living for wage-earners, surely that standard demands that, in an era when prices have long been rising at an average rate of over three per cent a year, investors should receive three per cent more than in an era of steady prices, and six per cent more than they should be allowed if prices were falling at the same rate,

But in practice the standard of fair returns to capital is not independent of the market rates; it is borrowed from it, and the fairness sought is fairness as between investors in quasi-public enterprises and those in private industry, without troubling as to the obvious query whether the competitive rate is itself "fair" to investors at times of changing price movements. Or, to put it on grounds of expediency, we are searching for the minimum rate necessary to attract private capital in the needed amounts. Such a policy must in the long run give the investor more in periods of continued rising prices than at other times—at least as much more as the market itself does in fixing the rate on new loans. This would not be as much as was suggested in the preceding paragraph, but it would be something.

Courts have recognized the competitive or market rate, with its fluctuations, as controlling their decisions,³ but we may still wonder if there will not be a certain tendency for the judicial standard to become rigid, to ignore the short fluctuations of the market, and to be rather unresponsive even to the most fundamental and long-continued movements. This would be neither fairness nor expediency. Is not the present a time when both fairness and expediency urge allowing a considerably higher rate of return than was reasonable twenty years ago? Not that the extra high return should be guaranteed for an indefinite time in the future, when prices may have stopped rising and begun to fall. The extra earnings needed to allow for price changes cannot reasonably be expected to last longer than the conditions which make them necessary.

Of course it would be conceivably possible to fix on a "fair" rate of earnings and add or subtract automatically each decade the full amount of the average annual change in the index number of prices for that decade, or to use a tabular standard in calculating both payments of interest and repayments of principal. But this would hardly be useful as a standard to guide in rate regulation unless it were adopted also as the method of handling bonds, not only in quasi-public industries but in others as well. What we may perhaps expect without straining the imagination is that as business men take a more and more intelligent interest in general statistics of business conditions, they will apply their knowledge of price changes to their individual borrowings and especially

³ *Steenerson v. Gt. No. Ry. Co.*, 69 Minn. 353; cited, with other federal and state cases, in Beale and Wyman, *Railroad Rate Regulation*, pp. 389-398.

to their calculations of their own true profits and losses, on which their demand for loans must be based; and that as a result the market rate of interest will compensate much more closely than in the past for the ups and downs of prices. If this occurs it will become a fact which the officials charged with regulating rates can no longer by any possibility ignore.

It may be suggested that the demand for high earnings came rather late in the day to be attributed to a price movement that began in 1896. For obvious reasons, the long-term securities are the last to feel the effect of price movements.⁴ Moreover, I make no claim that the point here raised is the whole explanation of any great money stringency or even a major part of it, merely that it is one important and much-neglected element in the problem. But there is one further feature of the situation in regulated industries which may furnish a partial answer to the objection here raised.

Surplus Accumulated out of Earnings

These businesses, particularly the railroads perhaps, have made large betterments out of earnings, often charging them to operating expenses; in fact, the claim that the roads, as a whole, are not now overcapitalized rests on the additions made in this way to their tangible assets. And they have used this disguised reinvestment of earnings as an argument against the lowering of rates to a basis that would yield only a fair return on their (smaller) original investment, while at the same time pleading the low cash dividends as evidence that their returns were not and had not been unreasonably high. They wanted to get the benefit of the reinvestments in future dividends on their value, but not to have them counted in calculating past earnings for purposes of regulation. Yet, obviously, the stockholders' share of the dividend-paying surplus of their own road is as good as a cash dividend invested in new securities. They would eat their cake and have it too—as who would not if he could, particularly if future cakes seemed in danger of being reduced to unreasonably small size?

In recent years this policy has been brought to issue in ways which mean that the true rate of earnings can no longer be concealed in this fashion. If the ends of regulation are to be accomplished, reinvested income must appear as income when it is

⁴ Cf. Mitchell, *Business Cycles*, esp. pp. 145, 467.

reinvested and not be disguised as a part of operating expenses, or else the owner cannot justly produce it from its hiding place at some later date, and demand dividends on it. The accounting system prescribed by the Interstate Commerce Commission under the law of 1906 is of great significance in preventing such concealment, though the issue had been raised previously.⁵ In 1911 the commission went farther, and refused to allow the claim made by the Burlington road to the current rate of dividends on the full \$530,000,000 which that company claimed as the "present value" of their property, less than half of this being covered by original investment from the sale of stocks and bonds, and \$76,000,000 being carried on the books as surplus.

Without assuming to settle the broad issue whether the right to earnings on this huge surplus is a part of present railroad property which the fourteenth amendment would protect, the commission decides that a surplus on which returns cannot be earned without raising rates to do so is not to be protected to the extent of allowing the increase in rates.⁶ Thus the ability to earn dividends on these extensions and betterments without raising rates, is taken apparently as a rule-of-thumb test of the more fundamental question whether the earnings on the surplus are justified by "an additional service given" by the increase in facilities. If a station lunch room is decorated with old masters, this investment is entitled to dividends only if they can be earned at the old rate of charges.

Obviously, such a test as this ignores the fact of the dwindling dollar; and the railroad might reasonably claim that if the dollar had not dwindled, they would have been able to meet the test and earn fair returns on their surplus without raising rates, and that they should not be made to suffer merely because an oversupply of gold has lowered its purchasing power. However, in this case the surplus resulted from past earnings that were high

⁵ See especially *Yellow Pine Association Case*, 10 I.C.C.R. 505, affirmed in *Ill. Centr. R.R. Co. v. Commission*, 206 U. S. 441 (1907). See also "*In re Advances in Rates (Eastern Case)*," 20 I.C.C.R. 243, 267-270. Other cases cited in Whitten, *Valuation of Public Service Corporations*, pp. 176-189.

⁶ *In re Advances in Rates (Eastern Case)*, 20 I.C.C.R. 243, 269-270. Also Whitten, *op. cit.* It seems probable that as these funds are accumulated out of earnings which the public permitted at the time they were made (whether wisely or not, knowingly or in ignorance) it would be considered retroactive regulation to deny that they are now the property of the corporation. But is it "reasonable" to allow as high a rate of earnings on this as on the stockholders' original investment?

enough to have been considerably reduced without being made unreasonably low, provided they had been brought to public notice by being divided instead of being reinvested. And in any case in which a corporation has actually avoided downward regulation of its earnings by unobtrusively placing part of them in an inside pocket, it will probably fail to stir the depths of popular sympathy by its claim to dividends on this accumulation.

But whatever the case of the Burlington may be, is it not possible that before the reins were thus tightened railroads in general got on with a rate of cash dividend that was, by itself, unreasonably low, at least when compared with the par value of stocks, but was supplemented as has been shown? and that public officials got used to these unduly low rates as presumably reasonable and sufficient? But now this hoard has been brought to light, and the commission has set its face against allowing indefinite further additions beyond the reasonable rate of dividend, until the question shall be settled whether the roads have a vested right to the current rate of earnings on such accumulations, both those of the past and those still to come. May it not be that the part of the roads' past income that is thus called in question was, in the decade following 1896, the part that kept the whole from being unduly low?

If betterments, beyond the limits of the recognized functions of surplus, are to be allowed as a basis for future dividends, they must be counted as part of present net income, on the same footing as cash dividends. If it is to be decided that the roads have no vested claim to dividends on such betterments, then they will have lost one form of income which has played a vital part in their past development. And so long as no decision is reached, the uncertainty itself will make a higher yield necessary if investors are to be attracted to purchase railroad stocks, other than preferred stocks with limited dividends.

In either case, ideas of reasonable earnings that are based on past cash dividends will almost certainly have to become somewhat more liberal. And this is for the public interest, in order to attract the capital needed for the service of the public, in rivalry with competitive enterprises which also have the habit of accumulating surplus out of earnings when the earnings are large enough.

If this is a true statement of the case, it has a bearing on the previous discussion of rising prices, and goes far to explain why it is only in recent years that the roads have felt, in pressure for

higher dividends, a force which was set in motion some eighteen years ago, when the great fall in the purchasing power of the dollar began. During the earlier part of this period, nominal rates of dividend were of little importance, for they could be supplemented by betterment-dividends to any extent short of obvious extortion, unchecked and virtually unheeded. And it is only in the latter part of this period that regulation, either of railroads or of public utilities, has had a decided effect on the level of earnings or on the practice of charging betterments to operating expenses. This, of course, can affect the rate of interest on bonds only if the policy of betterments made out of earnings is retarded under the present policy of regulation, and the security of future issues thus made poorer.

Betterments and Public Necessity

One point raised in the foregoing discussion seems to deserve separate treatment. Nothing that has been said should be taken to imply disapproval of the practice of reinvesting earnings—merely of dodging regulation by using such reinvestment for purposes of concealment. But it does seem clear that the stockholder should not gain any rights or privileges by leaving part of his earnings in the business which he would lose if he took the earnings all out in cash and then used part of them in subscribing to new issues of stock.

And among the rights or privileges he should not thus gain is exemption from the common requirement that a showing of public necessity be made as a condition of allowing private capital to be invested in quasi-public enterprises. This frequently takes the form of requiring that a "certificate of convenience and necessity" be issued before a new company can begin operations, and in some cases before new construction can be undertaken by an existing company.

But there is no such regulation governing the making of betterments in existing properties, paid for out of earnings. There are, to be sure, these two generally recognized principles: first, that extravagant expenditures cannot be included in the "fair value" of the property; and, second, that only such property as is used and useful in the public service can be so counted. Under the former principle, if the directors buy old masters to hang in the station lunch rooms, a commission might investigate whether they had paid more than the necessary price, while under the

second principle they might go so far as to cast doubt on the usefulness of these decorations in furthering the transportation of the traveling public.

Whether either or both of these things is to be accomplished in the future will depend largely on the method and effectiveness of the valuations which the Interstate Commerce Commission now has power to make of the property of the railroads. In the past, the principal check of this sort seems to have been exercised by those states which supervised the expenditure of funds raised by the issuance of new securities—a check which would obviously not apply to betterments made out of earnings.

But if the measure of vigilance is the strength of temptation to abuse, should not the supervision logically be stricter in the case of reinvested earnings rather than more lax? For the easier the funds are come by, the greater the temptation to lavish expenditure. Under the circumstances, it is no insult to the officials of the railroads if we raise the question whether the funds under discussion have not possibly been spent, some of them, with a lavishness which might have been somewhat restrained without injury to the public interest. At least there seems to have been some opportunity for this.

In further safeguarding the public (if that be necessary) against having to pay dividends on little-needed "betterments," it would probably be unwise to use the same methods employed in the case of new issues of securities. Government is ever in danger of using a steam hammer to crack a walnut. Probably an effective valuation would prove sufficient, but the valuation should determine not only the reasonably necessary expense of constructing the property as found, but should further decide whether the facilities themselves are such as are reasonably necessary to the public service for which the public pays.

The contentions for which I have argued may be summarized as follows. First, if the depreciation of gold continues, it will probably call for higher rates of income on investments, including those in quasi-public industry, than the returns to which we have become accustomed. But if prices are to fall steadily from now on, all industries may be able to borrow more cheaply than at present, and the "reasonable return" in public service industries may be lower than at present. Second, if betterments made out of earnings are entitled to future dividends at the current rate,

the amount of such betterments should be counted exactly as if they were cash dividends for purposes of regulation of charges, but if this is done, it will be public policy to allow a higher total return than that which we are accustomed to consider reasonable. Third, if earnings are to be allowed on such betterments, it becomes advisable to see to it that they are expended with reasonable economy and for purposes whose public importance justifies the outlay, with at least as much care as we spend in safeguarding the expenditure of funds raised by the issue of new securities.

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VOYAGE COSTS VIA PANAMA AND OTHER ROUTES

Is it possible to estimate, in any reasonably approximate terms, the facilities which the Panama canal will offer to merchant shipping? This question is one of prime importance both to the traders of the world and to the administrators of the canal: to the former because the canal's influence on commerce must depend upon the facilities which it can offer to the vessels which carry that commerce; and to the latter because the income from the canal must depend upon its power to attract vessels to the new route.

The new waterway will connect two great commercial areas—the Atlantic and the Pacific basins. Goods passing to and fro between the countries bordering these two oceans may be carried by any one of several alternative routes. At present they move chiefly either via Magellan Straits, the Cape of Good Hope, by all-sea carriage, or via the Panama, the Tehuantepec, and the American and Canadian transcontinental railways in land or combined land-and-sea carriage. Only by alternating the routes by which this traffic is carried can the canal have any effect on international trade competition and only by inducing vessels which now use the Magellan, the Cape of Good Hope, or the Suez route, to choose the new waterway instead, can it, as a business enterprise, earn an income.

Obviously, the more definitely the merchant is able to estimate the probable effect of the canal in altering routes and transportation costs, the better position will he be in to judge of its influence in his commercial problems; and the closer the canal administration can figure as to the power of the new waterway to attract vessels, the greater will be its ability to determine the proper toll rates to be charged and the total income which it may expect.

Any estimate of the ability of the new canal to attract vessels and thus change trade routes must, clearly, rest upon the relative profitableness to the shipowner of using that route instead of some other; and any attempt to form a judgment on the subject must involve an analysis of the elements which enter into a shipowner's calculations in determining whether he shall send his vessel by this, that, or the other route.

The factors which influence the choice of routes by steamships are appallingly complex. They include such heterogeneous items as distance, ocean currents and winds, weather conditions, dangers of navigation, distances between fuel stations, costs of fuel, way-

freight markets, passenger traffic, toll charges, subsidies, mail contracts, etc. Any attempt to make a general statement in regard to the merits of a particular route, which shall include an estimate of all of these items, must result in confusion and would not be likely to lead to useful results. But among this multitude of factors several stand out preëminently. They are distance (or time), fuel costs, toll charges, way-freight and passenger possibilities, mail contracts, and subsidies. The cost of operating the average freight steamer of 3,000 net registered tons and ten knots speed is about \$300 a day,¹ and the saving of a few days' distance by choosing one route rather than another is therefore a prime consideration in connection with the shipowner's expense account. The costs of fuel at the various coaling stations of the world differ greatly, ranging from about \$3 a ton at New York to about \$10 at Montevideo. An excess of even \$2 a ton in the average cost of fuel at stations along one route, compared with some other route, would make a difference, for a vessel burning 30 tons a day, of \$14,000 or \$15,000 in the annual expense account. Toll charges are, possibly, an even more important factor than either of those just mentioned. Vessels engaged in traffic between the Atlantic and Pacific will if they use either the Suez or the Panama canal be confronted with an outlay of \$1.20 per net registered ton,² or \$3,600 on the average freighter of 3,000 tons for each passage of the canal. The cost of operation of the average freight steamer of 3,000 net tons being approximately ten cents per day per ton, it is obvious that in choosing between either canal route and some other route, it would require a saving of time for such a vessel, other things being equal, of at least 12 days to offset the toll.

For many vessels the receipts from local freights and from through or local passengers are also of vital importance in determining choice of route, and the amount of such receipts will bear some more or less definite relation to the number of way ports and the population and commercial activity of the countries in which these ports are situated. Of two alternative routes, that one which has the greatest number of stations, with the larger population, and the greatest general commercial activity, must offer the greatest opportunities for local business. Yet the rates and profits on such service vary so greatly, and the relative income from such sources compared with other receipts is so inde-

¹ E. R. Johnson, *Panama Traffic and Tolls* (Washington, 1913), pp. 176-179.

² \$1.20 a ton at Panama, and 6.25 francs at Suez, with some slight difference in method of measuring tonnage.

terminate, that it probably would be impossible to form any but the vaguest opinion, in advance of actual experience, as to the relative merits in this respect of two competing routes.

Subsidy and mail contract receipts are also an indeterminate factor. It would, of course, be possible to compute the incomes from such sources as they stand at present, but the figures for today would be of little value tomorrow in estimating their influence on the choice of routes, for they might be changed arbitrarily at any moment by governmental action.

The other factors which enter into the determination of the choice of route are of very minor importance compared with those which have been mentioned. Insurance rates are not likely to be very different on the various alternative routes. The prevalence of storms, unless it be very marked in some particular locality, does not play a great part in altering the routes of steamships. It may cause them on a single voyage to alter their courses somewhat, creating some delay and thus lengthening that voyage; yet, on the whole, in the course of a year, the addition to the expense account is obviously very slight. It would determine choice of route only if all other things were quite equal and competition were very close. The same may be said in regard to differences in port charges. At terminal points, charges would of course be identical by either of two alternative routes. Only at way ports at which a vessel might stop to discharge or receive passengers or cargo would differences between the two routes make themselves felt and then they would only form one of the elements in the expenses of way-freight and passenger business. Only in those cases where this local business furnished a large part of the income of a shipping company would the question be likely to become one of much concern.

The six chief factors, mentioned above, which determine the choice of routes by steamers—distance, fuel costs, toll charges, way-freight and passenger possibilities, mail contracts, and subsidies—apply with varying degrees of force to different classes of vessels. For line vessels, plying on definite routes on a more or less fixed schedule, with sailing dates published many months in advance, all six of the above factors are likely to be important, for, because of their fixed schedule and route and usually greater speed, they are the ones most likely to receive a considerable share of their income from mail contracts, subsidies, and passenger receipts, and to be most interested in procuring way freights to fill space which may not have been taken at the time of departure from the terminal port. The "tramp," on the other hand, sailing

when, and to the port for which, it can get cargo, and being usually of slower speed, is not likely to carry many passengers or to be considered in the awarding of mail contracts or subsidies, and is much more apt to have full cargo from its port of clearance to its final destination. To the owner of this second class of vessels, therefore, the mere questions of distance, fuel costs, and toll charges are apt to become the dominant ones in his choice of routes.

Just how large a proportion of the world's ocean freights is carried by "tramps" it is impossible to say with any degree of certainty, yet it is a well-known fact that the major part of international commerce is so carried. If, therefore, in examining the relative merits of the various routes, we confine our attention to tramps, we shall get comparisons which will cover a considerable share of ocean commerce, and may arrive at results which, although they may not be conclusive, will at least be suggestive. And we shall eliminate from our problem the confusing and intricate factors of mail, passenger, subsidy, and way-freight receipts, leaving only the other three items to be considered.

The owner and operator of a steamship is of course interested in the ratio of annual receipts to expenditures and will in the long run choose that one of two or more alternative routes which insures him the largest net return. And for the individual owner or for a single ship it would be a relatively easy matter to determine what the choice would be. But the problem before us is a broader one—to determine what the aggregate results of the multitude of individual preferences would be; and in order to do this, it is obviously essential to define the terms of the problem in a form which shall be more or less universally applicable. Individual vessels differ enormously as to size, speed, coal consumption, general running expenses, ratio of net tonnage to cargo-carrying capacity, capital investment, etc., and the best that can be done in attacking a problem like the present is to adopt as the basis of computation averages which may approach as nearly as possible to what may be considered the normal case.

The average size of vessels of the cargo-carrying sort plying between the Atlantic and the Pacific is about 3,000 net registered tons.³ Their cargo capacity is about 6,000 tons; their speed, 10 knots; and their coal consumption, about 30 tons a day.⁴ The average operating expenses, including salaries and wages (both in the land offices and aboard ship), provisions, fuel, maintenance

³ See E. R. Johnson, *Panama Traffic and Tolls*, pp. 176-179; also statistics of entrances and clearances of vessels at various ports.

⁴ Johnson, *l. c.*

and repairs, depreciation, insurance, taxes, a pro rata of the general overhead charges, etc., are in the neighborhood of \$300 a day.⁵ Of this \$300 a day, approximately \$140 is for fuel.⁶ The capital cost of such vessels may be taken at about \$300,000; and the owners expect, with good business, to make an annual profit of approximately 25 per cent.⁷ Allowing for delays in port loading and unloading, loss of time waiting for cargo, time required for inspections and overhauling, etc., such a vessel, when business is good, is at sea under steam probably about 230 days per annum.⁸

Using these average figures as the basis for estimating costs via competing routes it would seem that we might get results which, although they would probably not be applicable to any particular vessel, would at least be comparable with one another and help us form some judgment as to the relative merits of the two routes. Even if there be a large error in the assumed averages the comparisons may nevertheless be valid if the same assumptions are applied in all the cases compared.

The method of calculation used in the following pages can best be illustrated by giving a specific instance. A vessel going from Liverpool to Batavia may choose either the Suez or the Cape of Good Hope route. If it takes the former its expense account will be somewhat as follows:

For the round trip:

71 days under steam at \$160 a day for general expenses	\$11,360
Tolls at 6.25 francs per net registered ton \$3,600 each way	7,200
Coal: ⁹ Liverpool—Gibraltar	162 tons at 25/3 \$1,023
Gibraltar—Port Said	240 " " 23/0 1,380
Port Said—Colombo	429 " " 25/6 2,734
Colombo—Batavia and return	465 " " 26/0 3,022
Colombo—Port Said	429 " " 26/0 2,789
Port Said—Gibraltar	240 " " 25/6 1,530
Gibraltar—Liverpool	162 " " 23/0 932
	13,410
Cost per round trip.....	\$31,970

⁵ E. R. Johnson, *Panama Traffic and Tolls*, pp. 176-179.

⁶ Calculated by assuming a coal consumption of 30 tons a day at a price, \$4.70, computed by averaging the prices in the chief ports on Atlantic-Pacific routes in 1912 as given in Johnson, pp. 159 ff.

⁷ Data obtained by interviews with shipowners.

⁸ Estimate based on sailing schedules of some of the important Atlantic-Pacific lines.

⁹ Taking the 1912 contract prices as given in Johnson, pp. 159 ff., and assuming that the vessel will coal as often as possible in order to save cargo space.

If it chooses, instead, the Cape route, the cost will be:

93.4 days under steam at \$160 a day for general expenses	\$14,944
Coal: Liverpool—Durban 759 tons at 25/3	\$4,791
Durban—Batavia and return 1,284 " " 13/0	4,173
Durban—Liverpool 759 " " 13/0	2,467
	<hr/>
	11,431

Cost per round trip.....\$26,375

The annual costs for two exactly similar vessels running, one via Suez, and one via the Cape would be:

<i>Via Suez</i>	
3.2 round trips (230 days) at \$31,970.....	\$102,304
General expenses in port (135 days at \$160).....	21,600
Total annual expenses.....	\$123,904
<i>Via the Cape</i>	
2.5 round trips at \$26,375.....	\$65,937
General expenses in port.....	21,600
Total annual expenses.....	<hr/> \$87,537

This gives us a basis for a rough comparison of the annual expenses of the two vessels; but the annual income must also be considered. On the assumption that the vessels will carry full cargoes, each will take on every voyage all the freight it can put into the space not occupied by the necessary coal. The carrying capacity of each is assumed to be 6,000 tons. Each must surrender enough of this space for use as coal bunkers, to give it a sufficient supply of fuel to carry it over the *longest* distance between stations. On the Suez route the largest amount of space thus sacrificed will be 465 tons (coal from Colombo to Batavia and return); on the Cape route, 1,284 tons (Durban-Batavia and return). The former, therefore, on a round trip can carry 11,070 tons of freight, and in a year \$35,424 tons;¹⁰ the latter, 9,432 tons on a round trip, and 23,580 per annum. Assuming, again, that each would aim at making an annual profit of 25 per cent, and that the capital investment is \$300,000 per vessel, the Suez vessel would find it necessary to get an annual gross income of \$123,904 plus \$75,000 or \$198,904, and in order to do so would be obliged to charge an average freight rate of \$5.62 per ton; the Cape vessel's annual gross income would have to be \$87,537 plus \$75,000 or \$162,537, and its freight rate \$6.89 per ton. Clearly, the Suez route would be given preference.

The freight rates arrived at by the above calculations may be called the "cost of service rates." They focus within themselves

¹⁰ Assuming that it always carries full cargo.

the more important elements of the problem of the choice of routes by vessels of the tramp class: time (distance), fuel costs, general operating expenses, toll charges, income, and normal profits. Therefore, if we make a comparison of the various all-sea routes from the Atlantic to the Pacific based upon figures reached by this method, we shall be likely to get results which will be suggestive.

In making the comparisons it will not be necessary to examine every specific route between every Atlantic port and every Pacific port between which trade is being or may be carried on: certain ports on each ocean may be taken as typical. The bulk of the trade between the United States and the Pacific countries originates or has its destination in our Atlantic states, and New York is by far the chief port of clearance and entry. If we examine the relation of this one city to the canal traffic we shall get results which will be applicable within a reasonable limit of error to all American trade. Similarly, at least 90 per cent of European trade with the Pacific clears or enters half a dozen ports in England and northwestern Europe, such as Liverpool, Havre, Rotterdam, Bremen, and Hamburg. The geographical relation of all of them to the canal is so nearly the same that if we examine conditions for any one of them we shall get a fairly correct picture for all. In the calculations the results of which are about to be presented, New York has, therefore, been chosen as the typical American, and Liverpool as the typical European, port.

In the vast area of the Pacific a much larger number of ports must be considered if we would get even approximately correct results. The best that can be done by way of simplification is to select from among the scores of places with which commercial dealings are carried on some eighteen or twenty which may be regarded as representing regions which differ distinctly from one another so far as their geographical position relatively to the canal is concerned. In making the calculations the following have been selected: for Southern Chile, Coronel; Central Chile, Valparaiso; Northern Chile, Iquique; Peru, Callao; Ecuador, Guayaquil; Central America, San Jose de Guatemala; Western Mexico, Acapulco; Pacific coast of the United States and British Columbia, San Diego, San Francisco, and Seattle; Japan, Yokohama; Northern China, Shanghai; Southern China, Hong-Kong; Philippine Islands, Manila; Straits Settlements, Singapore; East Indies, Batavia; Southern Australia, Melbourne; Eastern Australia, Sydney; and New Zealand, Wellington.

It would not, of course, be desirable to present, here, the voluminous details of the calculations of relative costs and income, by various alternative routes, from New York and Liverpool to all of these nineteen Pacific ports: only the results can be given. They are shown in the following table:

"Cost of service" rates from New York and from Liverpool to chief Pacific ports by various alternative routes 10 knot, 3000-ton, steamers

	FROM NEW YORK					FROM LIVERPOOL				
	Via Magel- lan	Via Suez	Via Cape	Via Pana- ma ²	Via Pana- ma ⁴	Via Magel- lan	Via Suez	Via Cape	Via Pana- ma ³	Via Pana- ma ⁴
TO										
Coronel . .	\$4.90			\$3.23	\$2.60	\$5.54			\$4.93	\$4.28
Valparaiso .	5.05			3.10	2.48	5.61			4.82	4.17
Iquique . .	5.56			2.80	2.15	6.03			4.41	3.75
Callao . . .	5.82			2.40	1.77	6.42			4.03	3.37
Guayaquil .	6.24			2.07	1.45	6.86			3.75	3.08
San Jose . .	6.82			2.12	1.51	7.47			3.81	3.15
Acapulco . .	7.07			2.45	1.81	7.73			4.09	3.42
San Diego .	7.80			3.27	2.63	8.49			4.96	4.30
San Francisco	8.16			3.51	2.86	8.89			5.20	4.55
Seattle . . .	8.45			3.90	3.26	9.21			5.55	4.89
Yokohama .		\$8.20		6.21 ¹	5.53 ¹		\$6.94		7.80 ¹	7.16 ¹
Yokohama .				6.20 ²	5.51 ²					
Shanghai . .		7.61		6.77	6.09		6.48		8.17	7.49
Hong-Kong		7.09		7.12	6.44		6.06		8.59	7.72
Manila . . .		7.09		7.09	6.41		6.06		8.52	7.92
Singapore .		6.34		8.00	7.31		5.26		9.43	8.75
Batavia . .		6.54		8.34	7.65		5.62		9.84	9.15
Melbourne .		8.32	\$7.27	6.45	5.74		7.22	\$6.83	8.12	7.40
Sydney . . .		8.50	7.32	6.33	5.61		7.46	7.14	8.00	7.27
Wellington		8.90	7.73	5.78	5.07		8.07	7.53	7.35	6.67

Assuming that in every case that route will be chosen which gives the lowest "cost of service" rate calculated in the manner indicated, the Panama route will be used (if the toll rates remain

¹ Via San Francisco. ² Via San Francisco and Seattle. ³ With tolls of \$1.20 per net registered ton. ⁴ With no tolls.

as fixed at present at \$1.20 per net registered ton at Panama and 6.25 frs. at Suez) from Liverpool; to Coronel, Valparaiso, Iquique, Callao, Guayaquil, San Jose de Guatemala, Acapulco, San Diego, San Francisco, Seattle, and Wellington; and from New York to all of the above and also to Yokohama, Shanghai, Melbourne, and Sydney. The Suez route will continue to be used from Liverpool to Yokohama, Shanghai, Hong-Kong, Manila, Singapore, and Batavia; and from New York to Hong-Kong, Singapore, and Batavia. Manila will be equally accessible from New York by either route. The Magellan route will be abandoned and the Cape of Good Hope route will be used only by vessels plying between Liverpool and Australia.

The "cost of service" freight rates arrived at by the calculations and here presented have, of course, no validity as indicating what the actual rates will be. In the first place, errors in the assumptions upon which the figures are based would vitiate the results; and in the second place, even if the figures were accurate, there would be little likelihood that actual freight rates would be determined, except in cases of full and free competition, by cost of service. Line vessels are almost exclusively in the ownership of members of one or more shipping "conferences" and the rates are rather generally fixed upon the monopolistic principle of what the traffic will bear. In the tramp service, it is true, competition is much more active—often very active—and there is a much stronger tendency for rates to sink to cost of service, yet even here it would be far from safe to assume that freights will fall to that point. The figures, therefore, can safely be used only for purposes of comparison. It is not at all probable, for example, that the freight rate from New York to Coronel via Panama will be the \$3.23 per ton, as shown in the table, or \$4.93 from Liverpool, yet it may nevertheless be reasonable to expect that Liverpool rates, even under only partial competition, will tend to be higher than New York rates in something like the proportion of 4.93 to 3.23, i.e., 52 per cent higher.

If we reduce all the differences shown in the table, to percentages, and represent the results diagrammatically, we get the graph as seen on the next page.

If the method of comparison adopted has any validity, certain interesting and important conclusions may be drawn from these figures. By present routes New York has a slight advantage over Liverpool, varying from 13 per cent in the case of Coronel to

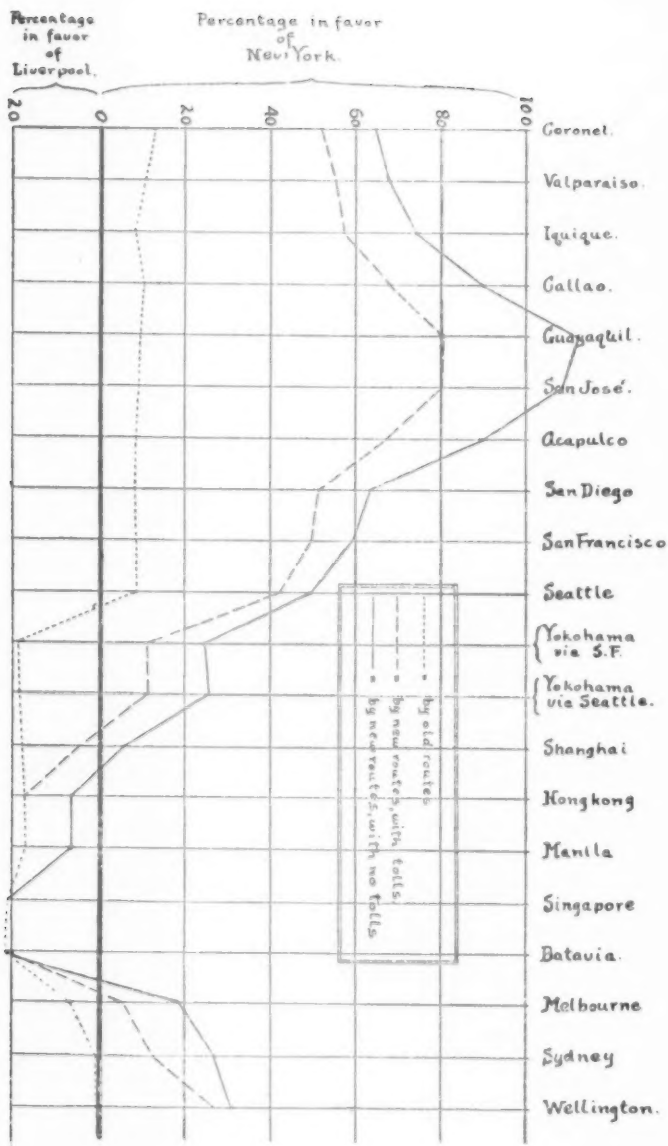


Chart showing percentages of difference in favor of or against New York.

9½ per cent in the case of Seattle, for all ports on the west coast of North and South America. For all other parts of the Pacific, New York is at a disadvantage relatively to Liverpool, ranging from a fraction of 1 per cent for Sydney and Wellington, to 21 per cent for Batavia. When the Panama route is opened, if tolls are charged as at present fixed by presidential proclamation at \$1.20 per net registered ton (assuming that American coastwise vessels are also subject to tolls), the advantage of New York over Liverpool in trade with the eastern littoral of the Pacific will be enormously increased, and will range from 42 per cent in the case of Seattle to 81 per cent in the case of Guayaquil. On the western shores of the Pacific the new route will also alter the relative positions materially. To Yokohama, New York's disadvantage of 18 per cent will be converted into an advantage of 11½ per cent; to Melbourne, a disadvantage of 6½ per cent into an advantage of 6 per cent; to Sydney the slight present disadvantage, into an advantage of 13 per cent; and to Wellington, 27 per cent. For Shanghai, New York will still remain at a disadvantage, but it will be reduced from 17½ per cent to 4½ per cent. For Hong-Kong, Manila, Singapore, and Batavia, there will be no change in the relative positions of New York and Liverpool. On the whole, then, New York's position in relation to Pacific trade will be greatly strengthened.

The figures are also suggestive in another most interesting way. From time to time during the past few years, in the midst of the multitudinous discussions concerning the canal there have been heard faint echoes of a suggestion that possibly the wisest policy which the United States could pursue would be to throw the canal open to the shipping of the world free from any toll charge whatever. Such suggestions have, however, in the main, been allowed to pass almost unnoticed. In most that has been said or written on the subject of the canal it has been assumed that the government, having expended enormous sums on the undertaking, must, as a matter of course, seek a direct return from the enterprise by exacting tribute from those who should make use of the facilities offered by the new waterway. The United States, so the thought seems to have run, is merely the successor of the private corporations which had planned the great work as a business undertaking from which the stockholders were to be expected to derive a profit; and like them the government, having invested a given amount of its capital in the enterprise, is entitled to ask for a return in the same form as they would have expected.

Yet the position of the government is, of course, very different from that of any private parties who might have carried the work to completion. It is investing money from the national treasury and the party to whom the returns from the enterprise may rightfully be expected to come is the whole people of the country. It may therefore well be that the method of seeking an income from the undertaking which would be economically wise for an ordinary business enterprise might not be the best method for the government to employ in seeking the greatest return for the whole people. The economic return to the nation may be derived in one of two ways; either through the collection of tolls which go into the national treasury in account for the whole people, or through the profits on increased trade in general or reduction in freights, which go more or less indirectly to the producers, consumers, and merchants of the country.

The maximum amount which can be collected in tolls during the first few years of the operation of the canal has been estimated at about \$12,000,000 per annum. The total trade of the Pacific Ocean countries with Europe and the United States reaches a total value of approximately \$2,500,000,000 per annum. The United States holds about 25 per cent of this business, or between \$600,000,000 and \$700,000,000. The profits of our exporters and importers, producers and consumers, derived from this commerce probably reach something like 10 per cent, or from \$60,000,000 to \$70,000,000. The Panama canal, even with tolls, will unquestionably largely increase this trade and consequently our indirect profits; but if the remission of tolls, and the consequent sacrifice of \$12,000,000 toll income, should still further increase our business with Pacific countries, it might easily happen that the resultant indirect profits would more than equal the loss to the national treasury. For the purpose of shedding light, if possible, on this question, separate columns giving the comparative cost-of-service rates without any toll charge at Panama have been added to the table above presented and a third line in the graph illustrates the relative advantages to New York under such an assumption.

Comparing the relative advantage to New York with tolls and without tolls, the figures show the following:

(1) For the west coast of North and South America, the advantage of New York would be greatly increased; for Seattle, from 42 per cent to 50 per cent; for San Francisco, from 48 per

cent to 59 per cent; for Coronel, from 53 per cent to 65 per cent; for Guayaquil, from 81 per cent to 112 per cent, etc.

(2) For Australia and New Zealand, New York's advantage would be increased: in the case of Wellington, for example, from 27 per cent to 31½ per cent; and for Sydney, from 13 per cent to 27 per cent.

(3) For Yokohama, similarly, New York's advantage would be raised from 11½ per cent to 25½ per cent.

(4) For the greatest port of China, Shanghai, New York's disadvantage of 4½ per cent would be converted into an advantage of 6½ per cent. For Hong-Kong and Manila, New York's disadvantage would be greatly reduced.

(5) For Singapore and Batavia, conditions would remain unchanged, New York still being at a disadvantage of over 20 per cent.

It is clear, then, if our method of comparison is approximately correct, that the remission of all tolls at Panama would tend still further to strengthen New York as a competitor for the trade of all Pacific Ocean countries except the East Indies. If, as a result of this added strengthening of New York's position, the increase in trade, due to the remission, were to reach the fairly moderate sum of, say, \$150,000,000, the opening of a toll-free canal might result in economic profit to the nation (assuming that traders' profits are 10 per cent). Such an increase, in a trade which aggregates over \$2,000,000,000 per annum, is at least within the range of possibility.

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CERTIFIED SECURITIES

The success of recent legislation on the subject of pure food has raised the question whether shares, stock and company securities may not be pasteurized by enactments of the legislature. It seems doubtful; attempts do not appear to be effective. Food is material which may be standardized, analyzed, and readily shown to be what it is represented. Company securities are contracts.¹ They represent the interest of holders in property dealt with by the company and the directors. To the contracts must be added motives, intentions, and human frailties. Long ago it was aptly said by a learned chief justice that "the thoughts of a man are not triable." Neither can motives and intentions be standardized or analyzed. The motives of man cannot be subjected to microscope, blow pipe, or test tube. The results alone can be dealt with, and the measures under consideration are those to prevent the usual results. As the contract which underlies a company security is complicated—it consists of the statute giving the company existence, the charter, the articles or by-laws, as well as the certificate itself—so the means by which beneficial results may be obtained by the holders and the methods of fraud and oppression towards them are complicated.

Definite fraud need not be discussed. The criminal code and the postal regulations meet it. The causes of loss to the public through company investments are many and varied, well-intentioned blundering, self-interested management, oppressive control by majorities, watered stock, and many others. It is needless to enumerate the means by which the company-wrecking expert may attain his end, as it is useless to define fraud or list the methods of accomplishing it. Nevertheless, it may be confidently stated that through adequate legislation the charter and the documents of a company may be so framed that protection may be afforded those who look for it. A superficial study of a few typical bits of legislation devised for the purpose of giving protection to the investing public may throw light on their defects and misdirected good intentions.

An extract from the constitution of the state of Arizona, one of the most recent, is worthy of consideration. Article XIV, sec. 4, is as follows: "No corporation shall engage in any business other than that expressly authorized in its charter or by the

¹ *Borland's Trustee v. Steel Bros. Co.* (1901), 1 Ch. 279.

law under which it may have been or may hereafter be organized." If this section is intended to be declaratory of the law, as it stands under jurisdictions where the common law prevails, no comment need be made except that it may limit the existing law. The rule has been fully laid down in many well-known cases.² But without legislation the principle has been extended by the courts.

In New South Wales a company³ was formed for the sale of preserved meat, fish, vegetables, etc. The greater part of the shareholders were graziers, and the directors, supported by a large majority of the shareholders, converted the company practically into a graziers' protection society; that is to say, instead of carrying on the business so as to make profits by dealing in meat and other animal products and distributing these profits in dividends, they managed the company to keep up the price of stock—their *modus operandi* being to give prices at auction sales of stock above those at which they might have purchased and thereby benefit the grazier shareholders in the concern. This was a clear fraud on the non-grazier minority. It was argued that it was a mere question of internal administration in which the majority had a right to control the policy of the company; but it was far more than that. The directors, as Simpson, C. J., said, were not carrying out the purposes for which the company was formed, but were using the machinery and property of the company for purposes of an entirely different nature—to keep up the price of stock in the interests of the grazier majority, disregarding the making of profits altogether. And this no directors, even though backed by a majority of shareholders, can do. The powers given to directors by the constitution of a company, however absolute in terms, are always to be construed as subject to a paramount and inherent restriction that they are to be exercised in subjection to the special purposes of the original bond of association.

Whether a similar result would follow in Arizona is arguable. But the section is subject to the comment that it appears to afford protection, which is fully given:

No corporation shall issue stock except to bona fide subscribers therefor or their assignees; nor shall any corporation issue any bond or other obligation for the payment of money except for money or property received or for labor done. . . . All fictitious increase of stock or indebtedness shall be void (sec. 6).

This clause is undoubtedly aimed at what is known as stock

² *Ashbury Railway Carriage & Iron Co. v. Riche* (1875), L.R. 7, H.L. 653.

³ *Miles v. The Sydney Meat Preserving Co., Ltd.*, 12 State Reports (New South Wales) 98.

watering, but it is doubtful whether it accomplishes this purpose. Similar clauses appear in the constitution of many states.⁴

In the state of Vermont the issue of shares for property is subject to approval by the shareholders.⁵ In many states this clause is varied and the property or labor shall be taken only at the market price,⁶ and in others at the cash value, actual value, or fair value.⁷ It is difficult to see how market price, cash value, and value can be differentiated. Nevertheless, this has been attempted by the courts,⁸ with the result that the mass of decisions are bewildering and conflicting. In the state of Alabama a further safeguard is added,⁹ and the particulars of the property and labor to be acquired by the company must be set out in the share subscription list. In Iowa added precautions are taken, and where shares are allotted for property or labor, permission so to do must be given by the executive council of the state, which, if necessary, may make an investigation and ascertain the real value of the property to be transferred.¹⁰ In the state of Virginia¹¹ the issue of shares for property or service is subject to the approval of the state corporation commission. In the state of Connecticut¹² a formal minute signed by the majority of the directors duly recorded must show the particulars of the property received for shares issued, and a declaration must be made that it has a value equivalent to the shares issued. In many states, however, there is no such restriction, and the judgment of the directors, except in cases of fraud, is held binding.¹³

It is unnecessary, however interesting, to investigate the laws of all the states on this subject or to harmonize the decisions¹⁴

⁴ Alabama Const., ¶ 234; Arizona Const., Art. 14, sec. 6; Arkansas Const., Art. 12, sec. 8; California Const., Art. 12, sec. 11.

⁵ L., 1910 No. 143, sec. 6.

⁶ Kentucky Civil Code, 1906, sec. 2154; Const. sec. 193.

⁷ South Dakota Const., Art. 17, sec. 8; Rhode Island G.L., ch. 214, sec. 8.

⁸ *Attenberg v. Grant* (1898), 85 Fed. Rep. 345 (Kentucky); *Dailey v. Foster* (1913), 134 Pac. Rep. 206 (New Mexico).

⁹ Const., p. 234.

¹⁰ Code of 1897, sec. 1641 (b); added to by 32 G.A., ch. 71, sec. 1; and amended by 34 G.S. ch. 76.

¹¹ Const., sec. 167.

¹² P.A., 1903, ch. 194, sec. 12.

¹³ Delaware Corp. Law, 1899, sec. 14; amended by 23 Del. Laws, ch. 155; Maine R. S., ch. 47, sec. 50; South Dakota Const., Art. 17, sec. 8; Civil Code, sec. 423; Laws, 1907, ch. 104; West Virginia Code, ch. 52, sec. 24.

¹⁴ *Spargo's Case* (1873), L.R. 8 Ch. 407 (English); *Laroque v. Beauchemin* (1897), A.C. 358 (from Quebec); *Attenberg v. Grant* (1898), 85 Fed. Rep.

thereon or to deduce the underlying principles involved. It may, however, be said that these enactments have not attained their object or prevented loss to investors through stock watering.

A novel method of meeting in apparently a business way the difficulties of watered stock is that enacted by the state of New York,¹⁵ which provides for the issue of shares without par value, without the dollar mark; that is, shares representing not an amount of money of the total capitalization of the company but an undivided proportion of the undertaking. This provision does not apply to moneyed companies nor companies under the Public Service Commission. Neither does it apply to preferred shares. The amount of capital with which the company will carry on business, not less than the amount of the preferred stock and a sum equivalent to five dollars or some multiple of five dollars for every share authorized not less than five hundred dollars, shall be set out in the charter. The share certificates must show the number of shares thereby represented and the number authorized, and shall not show the par value thereof. The company may issue and sell for such consideration as may be prescribed in the charter, or as may be fixed by the board under authority of the charter, or, if there is no such provision, as two thirds of the shareholders may direct. The company may not carry on business or incur debts until the capital fixed for that purpose is paid up in cash or in property at its actual value. No dividend may be paid which may reduce the capital below the amount fixed in the charter. There are further provisions regulating the increase in the number of shares.

This method was first suggested at a meeting of the New York Bar Association at Buffalo in 1892. It was proposed as a remedy for stock watering before the Industrial Commission by Mr. Francis Lynde Stetson in 1899¹⁶ and was introduced in the proposed Federal Incorporation Act, 1910. It was approved by the Railroad Securities Commission 1911 (sec. 20). Where the shares of companies are quoted upon the stock exchange and their value is thereby fixed, this method may afford relief to the public and the companies requiring further capital. But when the well-

345 (Kentucky); *Grant v. East & West R. Co. of Alabama* (1893), 54 Fed. Rep. 569 (Alabama); *Lake St. Elevated Ry. v. Ziegler* (1900), 99 Fed. Rep. 114 (Illinois); *Brown v. Duluth M. & N. Ry. Co.* (1893), 53 Fed. Rep. 889 (Minnesota); *R. H. Herron v. Shaw* (1913), 133 Pac. Rep. 488 (California).

¹⁵ Laws of the State of New York, 1912, ch. 351.

¹⁶ Industrial Commission Report, vol. I, p. 976.

known methods of "rigging the market" are considered this seems doubtful. It will be noted that the act does not require publicity of former transactions, contracts, promotion expenses, commissions, or other details of business dealings of the company which should be given to enable the public to judge of the value of the shares. The act is untried and should perhaps be left for future criticism. It may, however, be said that for new flotations it does not appear to give adequate relief. The clause regulating dividends appears to be superficial. There are no checks upon the valuation, and intangible assets may be introduced to justify any dividend.

The laws of many states impose restrictions upon the commencement of business. In Illinois¹⁷ the total capital must be subscribed. However, this statute is easily evaded by incorporating the company with small capital which may be increased without the original restriction. In Connecticut¹⁸ the amount of capital with which the company may commence business must be set out in the certificate of incorporation, and the directors must file a return showing the amount subscribed, the amount paid thereon, the amount paid by the transfer of property and the amount paid each share not paid in full. In Kentucky¹⁹ fifty per cent of the capital must be subscribed before the company may commence business. In many states the amount is nominal, and in many others there is no provision.

Undoubtedly the evil of watered stock has been the most conspicuous practice sought to be remedied. However, in many states special penal legislation has been enacted as sanctions in company wrecking. In Arizona²⁰ and California²¹ it is a penal offence to make a fictitious subscription for shares. Such an act is a common law forgery, the making of a false document, and the penal provision adds little. Many other improper acts are subject to the penal codes, such as payment of dividends except out of profits, the issue of statements for the purpose of bearing stock, the issue of false statements and prospectuses. In many states annual returns, verified by oath, showing the financial state of the company are required.

It may be fairly stated that, while many of the above enact-

¹⁷ Gen. Corp. Law, 1872, sec. 3.

¹⁸ P.A., 1903, ch. 194, sec. 69; amended P.A., 1909, ch. 160.

¹⁹ Statutes Kentucky, 1909, sec. 2127.

²⁰ Penal Code, sec. 503.

²¹ Sec. 559.

ments, and many more not referred to, may check the evils at which they are aimed, the existing evils of company promotion and management are great, and public opinion demands greater safeguards for investors. That this is the existing state of affairs is undoubtedly shown by the demand for the Kansas Blue Sky law which at the outset was thought to be a remedy for existing evils.

The Kansas Blue Sky law²² was passed in the year 1911 and through extensive advertising came to be considered the panacea for fraudulent and improvident flotations. It has been considered by the legislatures of 34 states and adopted by 22 and by one Province of Canada. This law has been declared unconstitutional in the states of Iowa and Michigan, and proceedings for such a declaration are pending in other states. An examination of the administration of the law in Kansas shows that it is unworkable. The report of the state banking commissioner, published Sept. 1, 1912, states as follows:

Between fourteen and fifteen hundred companies have been investigated by this department since the enactment of this law, and of this number less than one hundred have been granted permits to sell their securities in Kansas. The law is rapidly gaining fame all over the civilized world, and I believe that a large number of states will adopt a similar law at the coming sessions of their legislatures.

A personal investigation of the files of the bank commissioner's office casts serious doubts upon the accuracy of this statement. It appears that down to April 1, 1913, permits were granted to 49 companies and refused to 62. The balance were held for consideration, and in some cases temporary permits were granted on the personal authority of the commissioner, such authority not being given by the law. It is well known that serious frauds were committed through these temporary permits.

The method of the law needs only a word of explanation. Every company, domestic and foreign, before being entitled to sell any of its securities or those of other companies within the state, must produce to the commissioner a statement of its affairs, plan of development, and such other information as may be required, and the commissioner must sanction the plan of business before the permit is granted. This method was considered and dealt with by a commission of the British Board of Trade appointed to report upon company legislation and is referred to later.

A pertinent example of the result of this method is shown in the bill recently before the Parliament of Canada for the relief

²² Laws, 1911, Cap. 133; amended, 1913, Cap. 145.

of the depositors of the Farmers Bank. Under the Canadian bank act, after incorporation by special act of Parliament the promoters, under regulations, must show that adequate capital has been subscribed before a certificate to do business may be issued by the Treasury Board. The manager of the bank misled the board, and the certificate was issued. An investigation by a learned judge showed that although the certificate was obtained by misrepresentation, the bank might have been a success but for the speculation and reckless dealings of the manager. Nevertheless, through political influence the depositors of the bank induced the government of Canada to introduce before Parliament a bill for the contribution of \$1,300,000, or thereabouts, for the relief of the depositors who lost in the crash. The bill passed the House of Commons, but was thrown out by the Senate.

The working of the law may not have extended sufficiently long to show its good features. It is very unlikely, however, that good features may be disclosed, since the unworkable nature of the law was immediately apparent. There is one provision of the law which has worked effectually and has led the people of Kansas to believe that the measure is sufficient for all purposes. It is that which requires itinerant vendors of securities to procure certificates from the banking commission before they can carry on their business. This feature of the law has been adopted in Louisiana.²³

The English Act of 1862,²⁴ the basis of existing legislation, made no provision respecting the prospectus, the payment of dividends, nor the payment of shares. These subjects were regulated by the articles of association. The Act of 1867²⁵ provided that every share shall be deemed and taken to have been issued and to be held subject to the payment of the whole amount in cash unless otherwise determined by a contract in writing registered with the registrar of companies before the issue of the shares. This statute²⁶ also made the first provision respecting the prospectus and required that the dates and names of all parties of contracts made by the company, promoters, directors or trustees made before the issue of the prospectus should be set out therein; and it was further provided that if the names and date were not so set out, the prospectus was to be deemed fraudulent on the part of the promoters, trustees, directors, or officers of the company

²³ Statutes of Louisiana, 1912, Act. 40.

²⁴ 25-26 Vict., c. 89.

²⁵ 30-31 Vict., c. 131, s. 25.

²⁶ Sec. 38.

knowingly issuing the prospectus, as regards persons taking shares, unless the shareholder had notice of the contracts.

The next pertinent legislation was the Directors Liability Act of 1890,²⁷ which made promoters and directors liable for untrue statements contained in a prospectus, with certain limited and defined exceptions, unless such director withdrew from the company before the issue of the prospectus, or if the prospectus was issued without his knowledge or consent, or if after the issue and before allotment of shares he gave public notice of his withdrawal and the reasons therefor.

It is unnecessary to follow the course of the decisions of the courts upon these provisions in detail. The clause respecting payment of shares in cash was soon limited and held not to apply to cases where a debit and credit existed at the time of the issue of the shares;²⁸ and where no contract was filed, the courts, if satisfied that conditions were not prejudiced, before winding up directed a rectification of the register so that the contract might be filed. By the Act of 1898²⁹ the courts were authorized to grant relief when it was shown that the omission to file the contract was accidental or due to inadvertence.

During the carnival of flotations about the year 1890 and thereafter by Hooley, Whitaker Wright and others of this class, it was apparent that these provisions gave no substantial protection to the public. The causes of complaint were many, and amongst them were: promotions by dummy directors, the padding of the purchase money, stock watering, undue and secret profits to promoters, defeat of creditor by floating charges, and abortive enterprises where subscribed capital was devoted to promotion expenses and the company doomed to failure on account of inadequate capital.

The first move to remedy the situation was the appointment of a commission by the Board of Trade to study existing legislation and suggest improvements. This commission took evidence of experts—lawyers, accountants, and others—studied foreign legislation, and took suggestions from chambers of commerce and other similar bodies. The report was made in 1895, and a bill was suggested.³⁰ A pertinent clause of the report is as follows:

²⁷ 53 and 54 Vic., c. 64.

²⁸ Spargo's Case (1873), L.R. 8 Ch. 407.

²⁹ 61 and 62 Vict., c. 26.

³⁰ Parliamentary Papers, Cd. 7779.

Your committee may observe that they have dismissed from their consideration every suggestion for a public inquiry by the registrar or other official authority, into the soundness, good faith, and prospects of the undertaking at this or any other stage of a company's formation. To make any such investigation into the position of every new company complete and effectual would demand a very numerous staff of trained officers, and lead to great delay and expense, while an incomplete or perfunctory investigation would be worse than none. It would be an attempt to throw what ought to be the responsibility of the individual on the shoulders of the state, and would give a fictitious and unreal sense of security to the investor, and might also lead to grave abuses.

Subsequently, the bill was twice introduced by the House of Lords,³¹ again amended, and finally passed in 1900. Its provisions will be more fully considered in dealing with existing legislation, but here it should be mentioned that this legislation was in its most important provisions, that relating to the prospectus, a complete failure.

The act required the company to file a prospectus only when itself offering shares or securities to the public, and was readily evaded by the company allotting the shares and securities to underwriters who were not subject to the provisions of the act. The evils of fraudulent and flamboyant prospectuses were not abated. This state of affairs continued to the year 1907 when the amendment, subsequently reënacted in the Consolidation of 1908, was passed.

According to present English legislation for purposes of control, companies are divided into two classes, private and public.³² Private companies are those which limit the transferability of shares, limit the number of shareholders other than employees or ex-employees to fifty, and prohibit the offer of shares or securities for public subscription. These limitations are enforced by means of sworn annual returns to the Registrar of Companies and penalties. Public companies are those to which the above limitations do not apply, and the main methods of control are through the prospectus, the minimum subscription, the statutory meeting, and the filing of charges and mortgages.

The definition of the prospectus³³ includes all published or cir-

³¹ H. L. Committee Report Companies Bill 342, 1896; 384, 1897; 392, 1898; Parliamentary Papers, Cd. 3052, 1906; H. L. Committee Report Companies Bill 310, 1907; Report Joint Committee H. L. & Commons; Companies Bill 252, 1908.

³² Companies Consolidation Act (1908), sec. 121.

³³ Sec. 285.

culated notices or invitations for subscriptions for shares or securities. It must be signed by all persons named as directors, filed with the Registrar, must bear the date of filing, and state that it is filed.

The contents of the prospectus³⁴ must show particular and definite details of the organization and promotion of the company, the contents of the memorandum of association, which corresponds to the charter under American legislation, showing the names and addresses of the applicants for incorporation and the number of shares taken by each, the classes of shares, the qualification and remuneration of directors, the names of the directors, the minimum subscription (of which more hereafter), the number and amount of shares and securities issued otherwise than for cash during the preceding two years, the names of vendors of property to the company—and the term “vendor” is extended to include any person who has entered into a contract of sale to the company or for the sale of property to be acquired by the company when the purchase price is not paid at the issue of the prospectus, or when the purchase price is to be paid out of the issue, or when the completion of the contract is dependent on the result of the issue.

The prospectus must also show the amount payable for the purchase of property in cash, shares, or securities; the amount paid during the past two years for commissions on the sale of shares or securities; the probable amount of the promotion expenses; the amount paid or payable to promoters; the names, dates, and particulars of all contracts entered into on behalf of the company, and the place where copies may be inspected; and the interest of each of the directors in the promotion or in the property acquired or proposed to be acquired by the company. By means of the prospectus an intending investor is enabled to see the truth of the promotion in all details.

One of the most important of the above provisions is that which relates to the minimum subscription. It is undoubtedly true that there is as great or perhaps greater loss to the public through sanguine flotations as through those which are fraudulent. The minimum amount of capital with which the company proposes to do business must be disclosed in the minimum subscription, and the prospectus should fix such an amount as will appeal to an investigating investor. If the amount be too high, there may be difficulty in reaching it, and if too low, the fact that the company

³⁴ Sec. 81.

may be launched without adequate capital is disclosed. This is for investors to judge.

The investor is further protected³⁵ by the provision that the company cannot do any business until the minimum subscription is reached and paid in cash, and the courts have enforced this provision to the extent that it has been held that a check which has not been certified is not within the meaning of the provision for payment in cash.³⁶

On the minimum subscription being reached, a return of allotment³⁷ must be made to the Registrar, showing that all requirements of the act have been complied with, and a certificate to do business is issued. If the amount named in the minimum subscription is not subscribed within forty days,³⁸ the amount of all subscriptions must be returned to the subscribers; and if the amount is not repaid within forty-eight days, the directors are jointly and severally liable for the amount.

Further protection is provided by the statutory meeting³⁹ of shareholders, which must be held, after due notice, not less than one nor more than three months after the time the company is entitled to do business. With the notice calling the members, the directors must forward a report certified by the auditors showing the shares allotted for cash and for property and services and the amount paid thereon, the total amount received by the company in respect of shares and debentures, payments made thereout, and the preliminary expenses. This statement must be made as of a date not earlier than seven days before the meeting. At the meeting the shareholders may discuss any matters arising out of the formation of the company, and the meeting may adjourn from time to time. If default is made in making the report and holding the meeting, the company may be wound up; and if an allotment of shares is made contrary to the provisions respecting the minimum allotment, a subscription for shares is revocable within one month after the statutory meeting.

The Act of 1900 contained these provisions and was nevertheless found to be of little protection to the investor. Under the

³⁵ Sec. 87.

³⁶ *Mears v. Western Canada Pulp and Paper Co.* (1905), 2 Ch. 353. *Glasgow Pavilion Co. v. Motherwell* (1903), 6 F. 116. *In re National Motor Mail Coach Co.* (1908), 2 Ch. 228.

³⁷ Sec. 88.

³⁸ Sec. 85(4).

³⁹ Sec. 65.

Act of 1908, sec. 82, a public company which does not sell its shares directly to the public, but through underwriters in the manner in which the former act was evaded, must file a statement in lieu of a prospectus which must contain all the information required in the prospectus.

It is not possible within the limits of this article to enumerate all the causes of loss to company investors, but it may be of interest to consider the most important and apply some of the legislation referred to.

It is submitted that existing penal legislation—against theft by trustees, secret commissions, forgery, and improper use of the mails—is ample. Theft has been a crime since the rights of property were established and theft is still practiced. While companies exist, the graver crimes will continue.

These penal provisions may be effectively assisted by clauses similar to those of the Kansas Blue Sky law which required itinerant vendors of securities to obtain licenses from proper authorities to permit them to carry on their business. These clauses are effective for two reasons. The authority issuing the license may exercise some supervision without incurring any responsibility or offering any undue security to the investor; and the person with fraudulent securities would be deterred from seeking a license; or if he obtained one and it became known that he was offering fraudulent securities, the license could be cancelled.

While the loss to the public through crime and fraud in company management is great, there appears to be no doubt that loss through over-sanguine and ill-considered flotations is greater. This kind of loss does not arise from fraud or crime, but from bad business methods. For this reason the check should not be by legislation directed against the methods used. Good business methods cannot be prompted by legislation for the same reason that morality cannot be so enforced. The check upon bad business methods is publicity, frank disclosure, and opportunity for discussion by those interested. The prospectus, minimum subscription, and statutory meeting of the English act appear to meet this. It affords the investor who desires to ascertain the true inwardness of a flotation all that a business man may require to judge of the probable success of the enterprise. For those who will not investigate there need be no complaint.

Watered stock may be an evil if secretly and fraudulently brought about. But it seems to be a public business necessity, and

if openly dealt with may work no wrong. Modern enterprise demands rewards and is thereby incited. It is needless to instance many well-known enterprises which in the foresight and good management of their promoters have proved the value of capitalization on expected profits and economy of management. When the details are published and an investor has an opportunity of judging for himself, no wrong is done, and if the expectations of profits are not realized, no one should be blamed. It is not the "watering of stock" that should be prohibited, but the methods which bring about secret profits which should be condemned.

While loss through fraud and other methods referred to are substantial, the loss which the subjected minority may bear in a profitable enterprise is greater, if not to the pocket, to the feelings of that great and often-heard person, the minority shareholder. Some attempts have been made to legislate on his behalf. When he has permitted himself to be a pawn in the game, proxies have been regulated. In many jurisdictions cumulative voting for directors is authorized. However, it may be confidently affirmed that the minority shareholder, if he has grounds for complaint, owes them to his own stupidity or unbusinesslike methods. There may be an exception to this statement. The laws of company organization and management are modern, and the rights of shareholders have not been completely declared by the courts. It may be more profitable and more to the peace of mind of the minority holder to submit to his loss than to assert his rights before the courts. In the evolution of modern company methods no doubt the position of the minority holder may be improved, and it is better and surer to await the natural development of the law than to resort to cumbersome and likely ineffective devices of special legislation.

This may appear severe upon the minority holder and require explanation. The law of partnership is well established, and the business man who suffers a loss through the exactions or overbearing methods of a partner receives little sympathy. Why then should the minority holder in a company which may be established with all the safeguards of a partnership be the subject of sympathy? The methods of suppression of the minority holder are varied, but those likely to happen in each may be foreseen and remedied. These methods apply to successful companies. In the losing, his loss is the lesser.

The methods of tiring out the minority holder are various.

However, their result is the withholding of dividends. It may be accomplished by rolling up a surplus, and, unless regulated, this is in the discretion of the directors.⁴⁰ It may be by making a contract with a subsidiary company for the sale of products, the profits being taken by the subsidiary. In small concerns the profits may be absorbed by salaries. A profitable enterprise with larger prospects may be sold out to a new company promoted by the majority. Many other methods could be cited, and there is but one answer. They may all be controlled by the charter, articles, or by-laws. Salaries may be limited. Dealings with subsidiary companies for the purpose of withholding profits may be regulated. Methods of accounting may be devised whereby dividends may not be withheld. A sale of the undertaking may be prohibited except with unanimous consent. A shareholder has a contract with the company which is made up of the statute, charter and articles or by-laws. These may be framed so that exactions or overbearing methods of the majority may be eliminated.

A person purchasing real estate would not part with his money without a careful scrutiny of the title and a report from his solicitor. He knows full well the difficulties of real property law, and he knows that his rights are well defined. The public has been dealing with real property for such a time that the necessity for care is ever present. Companies and company law are modern. The public has largely been made to believe that the company is the creation of the state and that the state will protect him. The state creates the rights of real property and nevertheless leaves the individual to his rights. When the public recognizes that business forethought is as much required in company investment as in the purchase of real property, certified securities will be attained.

This end may be reached not by superficial and inadequate enactments of the legislature but by publicity and by enabling the investor to study his investments and exercise business methods.

THOMAS MULVEY.

Ottawa.

⁴⁰ *Burland v. Earle* (1902), A. C. 83.

REVIEWS AND NEW BOOKS

General Works, Theory and Its History

The Economics of Enterprise. By HERBERT JOSEPH DAVENPORT.
(New York: The Macmillan Company. 1913. Pp. xvi,
544. \$2.25.)

Since Professor Davenport published his *Value and Distribution* in 1908, economic theorists have been hoping that he would make a systematic statement of his positive views. For that formidable volume was far more critical than constructive in character. That he was working on this task and that his thoughts were taking unconventional directions has been indicated from time to time by brilliant papers in various economic journals. At last, he has woven all these papers together, supplied the necessary connective tissue, and so made an exceptionally interesting contribution to economic theory.

In "the present competitive order," Mr. Davenport holds that economics is the "science that treats phenomena from the standpoint of price" (p. 25). The central and unifying problem is: How are values or, better, prices determined? The "new point of view" from which he attacks this problem is summed up in the last chapter (p. 517):

It is . . . superlatively important . . . to recognize that a complete acceptance of [the] private and acquisitive point of view is the only procedure possible in the analysis and classification of the phenomena of a society organized upon lines of individual activity for private gain.

All that is most characteristic in Mr. Davenport's system results from his choice of this viewpoint. In keeping with it, every individual is conceived to have his own peculiar scale of utilities as a consumer, his own peculiar scale of the gain-bringing capacities of producers' goods as an entrepreneur, and his own peculiar scale of discounting future services as an investor in durable goods. From these scales, in conjunction with his estimates of what his money would bring him if laid out on other goods at the prevailing prices, every individual derives his peculiar scale of price offers. In the price problem there is no such thing as social utility (p. 97), no such thing as specific productive efficiency (p. 136), and no such thing as social time-discount (p. 233). Prices are not proportionate either to the labor or the pains or the feeling sacrifices of production on the one side, or to the service or utility

or gratification in consumption on the other side, but are merely the equating point[s] between the different reservation prices, based on costs in money terms, on the supply side, and the paying dispositions of consumers, as expressed in money terms, on the demand side (p. 240).

From this viewpoint, again, the costs which count are entrepreneur costs in dollars and cents; these costs consist largely of foregoing other opportunities for gain, and are "incapable of direct or indirect reduction to any possible denominator of pain" (p. 117). Productivity means simply contributory to private acquisition. Capital includes "all durable goods yielding an income susceptible of a price expression" (p. 135). There is no reason for distinguishing between land and capital, and no justification for excluding rent from cost of production (ch. 12). Rent is the hire of any given piece of capital; interest is the same hire expressed in a different form—hundredths paid per annum upon the money value of the property (p. 132). The different factors of production for which entrepreneurs pay prices are not three or four, but legion (chs. 11 and 22). Even the individual entrepreneur cannot estimate the specific gain attributable to any one of these factors, but he can and does estimate what gain he expects from each as one element in his total complex of factors (p. 149).

This selection from Mr. Davenport's doctrinal conclusions indicates the ruthless consistency with which he reduces economic phenomena to terms of individual activities in pursuit of gain. But while he regards this pecuniary analysis as indispensable, he also regards it as "both circuitous and superficial" (p. 117). In explaining the demand schedule for any given good, he supposes the existence of a whole system of prices for other goods (pp. 113, 114). In analyzing cost of production he ascribes a large role to opportunity costs—that is, he assumes a host of adjustments already made between the costs and selling prices of other goods (ch. 8). How can he escape from this circle, which explains prices by assuming prices? What are the fundamental factors?

Mr. Davenport answers his question with a neat formula:

The *ultimate* forces in the problem are . . . (1) the human desires for products, affording motive for the aggregate social product of goods to be exchanged against one another, . . . (2) the productive capacities of human beings and the instrumental equipment at their disposal (p. 143).

While he repeats this formula in several passages with variations to suit the context (pp. 118, 192, 435), he declines to follow out

the leads it offers. He explicitly refuses to study "human desires"—though he does cast stones at hedonism (pp. 97-102). "It is enough for all economic purposes that these desires exist . . ." (p. 230). Nor does he study men's "productive capacities" or their "instrumental equipment." While he points out that pecuniary competition is "merely a present institution" (p. 20), he offers no explanation of it. His task is to study "the situation as it actually is, with small attention to its genesis . . ." (p. 26). Further, Mr. Davenport offers no theory of the relation between his "ultimate forces" and his money prices. He speaks of the latter as representing the former, as being the guise in which they appear, etc., and he also mentions buyers' and sellers' surpluses frequently. But of the connections between the use of money and men's desires, capacities, and equipment he gives no account. Even more conspicuous by its absence from his discussion is the relation between his acquisitive individuals and the community in which they somehow co-exist.

The book may be characterized, then, as a keen study of the interrelations among prices in a society where every individual is seeking his own gain, with all the fundamental factors in the process taken for granted. In other words, it is a treatise upon pecuniary logic, without a theory of valuation, and without an inquiry into the relations between pecuniary logic and human nature.

Within these limits Mr. Davenport confines himself so long as he is explaining economic processes. But in the last two chapters he essays a new task and quite consistently changes his viewpoint. The new task is to show how the régime of pecuniary competition affects society. Heretofore he has insisted upon explaining everything from the viewpoint of private acquisition; hereafter he insists upon judging everything from the viewpoint of public welfare. And his verdict upon the pecuniary organization of economic life is harsh. He conjectures that less than one third of the private property in this country is "earned wealth" (p. 522); the rest has been acquired from "capitalized bounty of nature," "capitalized privilege," and "capitalized predation" (pp. 526, 527). For the low incomes of the poor "there is only one possible line of explanation, the prodigal incomes of the rich" (p. 526).

Unhappily, economics in the past has supplied "a system of apologetics" for the régime that produces these ill results, primarily because it has confused private acquisition with social

productivity. Mr. Davenport's aim is "to furnish to progressive social workers that ultimate basis in economic theory which is theirs by right of truth" (p. 528). He is not able to set forth "the economics of a new political and social program" (p. vi); but he does give an illuminating practical suggestion: most of the serious problems in a competitive society "sum up into one great and inclusive problem, how to limit the receipt of private income to the rendering of social service" (p. 416).

Advertisements state that Mr. Davenport plans to use this book as a text in his own classes. The typographical make-up, the frequent repetitions, and the striving after picturesque phrases may all be excused by this design—though not the misprints which mar so many pages. It is doubtful, however, whether undergraduate students not familiar with the views which are criticised will understand the book. Its most interested readers will be economists steeped in theory. They may be startled by Mr. Davenport's doctrines; but they will admire the intellectual vigor and the courageous self-reliance revealed by his work.

WESLEY C. MITCHELL.

Columbia University.

The Theory of Social Revolutions. By BROOKS ADAMS. (New York: The Macmillan Company. 1913. Pp. vii, 240. \$1.25.)

Whether calling out violent protest or grateful recognition of a new and helpful point of view, anything that Mr. Brooks Adams writes is bound to be of interest and to demand serious attention. There are many details in this little volume on the theory of social revolutions which tempt one to a more extended discussion than is possible within the limits of a review. Three general lines of thought, however, require special mention—namely, his theory of revolution, his review of the action of American courts as political or legislative bodies, and his inferences as to the future.

Beneath a theory of revolutions must lie a consideration of the nature of a political constitution. This consideration is not given explicit form in Mr. Adams' book, but is implicit throughout. It comes very close to the theory advanced in Lasalle's famous essay "*Ueber Verfassungswesen*." Indeed, it was only a few years ago that the faculty of the Boston University Law School felt called upon to issue a formal statement representing the views of the faculty as to the nature of law under a constitutional government,

and in this statement we may believe that Mr. Adams' influence played an important part. Previous essays of his have dealt with the subject more specifically. Fundamentally, the idea is that the law is not primarily a body of reasoned principles, but is an expression of the relative dominance of different social forces existing at any time. This is close to Lasalle's theory of *Machtverhältnisse*. Thus a written constitution at any time is vital and compelling in its influence only if it is a real expression of existing power relations. As the equilibrium of social forces changes, the constitution can only remain vital by a shifting interpretation on the part of the final courts. The court may be of such a temper as to attempt to resist these irresistible changes, but in such case it only paves the way to its own destruction and to a more violent rearrangement in the end. This theory is not stated anywhere as a general thesis, but, as said above, is implicit throughout the argument. It is an interpretation of political and legal history which deserves much more recognition than has been given to it by the leading legal writers in this country.

In coming to the second point we are on ground which has been much discussed of late. Mr. Dooley once remarked to Mr. Hennessey, "I don't know whether the trade follows the flag, but I know that the Supreme Court follows the election returns." Of course, Mr. Adams would make no such sweeping or flippant generalizations. The quotation, however, suggests a popular impression or, as the author might be more inclined to say, since the court has not followed the trend of popular opinion it is in danger of losing its prestige and finally, perhaps, its power. To read Mr. Adams' pages alone would give the impression that at all critical times the court had acted in a political or legislative capacity. He says, for instance, speaking of the American judge: "His instinct under adequate pressure is always to over-rule anything repugnant to him that a legitimate legislative assembly may have done." The important cases which he cites are impressive, but are, on the whole, few in number and have already been pretty well discussed. A reader should exercise great caution in reading this portion of the book, since the imposing array in opposition to this contention is not considered at all. Any thoughtful person must expect a judge to be human and to be in some measure swayed quite honestly and unconsciously by his general social viewpoint. Furthermore, in a long history it is to be expected that even the highest courts should sometimes make radical mis-

takes, to be later corrected by equally radical reversals. To the reviewer it seems that the striking thing about the leading courts of the United States, over a period of a century and a quarter, is not that this political element has seemed sometimes to have entered into a judgment, but rather that the cases are so rare. Hundreds of instances could be cited in the matter of deciding the constitutionality of legislative acts of a vital nature where the courts have been utterly opposed to the policy adopted, but have firmly held that these were matters to be decided by the representatives of the people in legislature assembled and not by the opinions of the court. One gets a very one-sided view of what our judicial history has really been by the reading of Mr. Adams' pages alone. The fact is here as always that the whiter the whole page the more noticeable do a few bolts appear. To make courts purely judicial and free from political influence has been not only one of the great struggles of Anglo-Saxon history in the last two centuries, but has been as well one of its most splendid achievements when compared with earlier times or other races.

Finally, we may note that Mr. Adams' inferences from his discussion are of a solemn and pessimistic nature. His first chapter is entitled *The Collapse of Capitalistic Government*. At the close he comes to the conclusion that great administrative minds are needed and that "the extreme complexity of the administrative problems presented by modern industrial civilization is beyond the compass of the capitalistic mind." The demand for the "recall" of judges seems to him quite natural in view of the obstacle which he thinks the courts present to a new equilibrium of social forces. This new equilibrium he nowhere defines in definite terms. But the "recall" is as revolutionary, in his mind, as the methods used during the French Terror. Courts purged in this fashion would work as surely for a required purpose as did the tribunals of that day. He does not pretend to foresee the future, but he is not cheerful over the prospect of "political courts serving a malevolent majority." The conclusions are decidedly vague. They will probably appear to most readers grossly exaggerated in their alarmist attitude, but they will make many men think along lines hitherto novel to them, but essential to any understanding of a great transition period now in process.

HENRY C. EMERY.

Yale University.

Readings in Current Economic Problems. By WALTON H. HAMILTON. (Ann Arbor: The University of Michigan. 1914. Pp. xliv, 607.)

Among the several books of selected readings which have appeared of late, this one will take a most honorable place. It appears to be admirably adapted to the purpose for which it was prepared. That purpose, however, as one can hardly avoid regretting, is a very special one. This is indicated by the editor's almost excessively modest and frank statement in beginning his preface: it "is intended only for the use of students in elementary economics in the University of Michigan." It is for a second course, not for a first course, and it presupposes "a stiff course in economic theory," and cherishes no illusions about teaching the elements to beginners by the inductive method. The book contains a large variety of views, many of which, the editor explains, "are entirely out of harmony with the views of the instructors on the subjects with which they deal. Many of them are regarded by the instructors as almost wholly fallacious." Moreover, no attempt is made to annotate these varying opinions or to give any hint to the reader as to the soundness or the fallacy of the several selections. The editor suggests that this perhaps might be necessary "were the book to be put into general use," but is "unnecessary so long as it is used by instructors who know the purpose of each selection and who have been more or less responsible for the book." Used without this competent guidance, the book would give to young students a very bewildered impression, but used as it is intended to be, it doubtless is a most efficient instrument of instruction. Any well prepared teacher will find it of value.

The book represents a wide range of research in which have been nicely blended the historical and the theoretical spirits. No one who has not attempted such work can perhaps fully appreciate the great labor and thought that such a clean-cut piece of editorship must have involved. It is another welcome evidence of the attention that is now being given to improving the methods of teaching economics in American colleges.

FRANK A. FETTER.

Princeton University.

A Theory of Interest. By CLARENCE GILBERT HOAG. (New York: The Macmillan Company. 1914. Pp. xi, 228. \$1.50.)

"The object of all economic acts is increase of pleasure or de-

crease of pain." This sentence opens chapter two of a discussion of interest as a price measured in terms of pain and pleasure. Throughout the book, price means an equating point of pain and pleasure forces.

Before presenting his particular interest theory, the author sets forth his conception of different values. He would substitute for utility the two concepts, "subjective factor of pleasure" and "objective factor of pleasure." "Those factors of pleasure may be said to be factors of value as well as factors of pleasure." Personal value of a good is dependent upon the good taken as an objective thing—the objective factor—coupled with a particular individual's capacity for enjoying it under given circumstances—the subjective factor. Market value is dependent upon the objective factor combined with—as subjective factor—"the capacity to enjoy the good, relatively to all other goods and services of the market, of any person having access to the market." "Market value is a purely relative conception."

Of more direct significance to the topic in hand is the concept of nominal value which "differs from market value only in that its subjective factor, instead of being that of one of the particular persons constituting a market at a specified time, is that of whatever persons may constitute it at two or more different times." Thus, a bushel of potatoes that sells for \$1 now and another bushel which will sell for \$1 a year from date have not now the same market value but do have the same nominal value.

This makes room for the conception of interest held by the author as a price paid for the opportunity of exchanging future services for present services of the same value, that is, of the same nominal value. Interest is paid for the advancing of funds from one person to another, for the advancing or renting of goods and for "advances to nature," that is, in the storing up of future services in concrete goods. Only those of the last sort are to be figured in the supply of advances for which interest is the price paid. This is because the others are reducible to it. The price which is interest, like other prices, is a matter of the equating of pains and pleasures.

Mr. Hoag offers proof of the necessity of a positive rate of interest; but in this direction he gets little further than to say it is inconceivable that men should cease making advances to nature when they can get two per cent return practically without risk, unless the cost of making the advances is greater than two per cent of

the principal, and if so of course the equating point of cost and return would be not only positive but greater than two per cent.

The points advanced in the book are given full mathematical exposition in both algebraic and geometric form. No attempt to state them in a few words can be adequately convincing. The latter part of the book is devoted to critical discussion of other theories of interest.

Mr. Hoag was influenced to attempt a true explanation of interest, he says, in part by the attitude of socialists and the opposing views of labor and capital. His conclusion is: "Provided only a person's capital itself is equitably his own, his title to the interest accruing from it is as good as his title to the earnings of his own hands."

The book is an interesting variation of the current discussion of the subject. It seems to the reviewer, however, that the possibilities of such intensive study of the problem are about exhausted; that a study of how habits of spending and saving are fixed would be more fruitful than continued attempts to draw from consideration of particular instances of interest payment some formulation of a logical analysis which will be applicable to all cases.

D. R. SCOTT.

University of Missouri.

Wealth. A Brief Explanation of the Causes of Economic Welfare. By EDWIN CANNAN. (London: P. S. King and Son. 1914. Pp. xxiii, 273. 3s. 6d.)

The most serious difficulty confronting a writer of an introduction to economics is surely not the finding of something to put into his book but the deciding as to what to leave out. Some of our authors have sinned grievously in presenting to the beginner a vast mass of indigestible material, much of which properly belongs to special treatises. Professor Cannan has consciously avoided this mistake, and, while he may have leaned too much the other way in omitting some important subjects, such as money, credit, transportation, and monopoly, and some details of information which every student is supposed to learn, he has written an admirable book which can be used for academic purposes with good results, especially when supplemented by suitable collateral readings. It is intended for the general reader also, to give him a knowledge of the actual nature and workings of the economic machine, and enable him to detect the fallacies in certain schemes

for social reform which appeal strongly to the sympathies of many intelligent people who are not well grounded in economic science.

The book has an appearance of simplicity, but the reader will soon discover that he is being plunged into the depths of the subject where he will need to use all his power of independent thinking to keep his head above water. In fourteen chapters the following subjects are treated in a most original, interesting, and effective way: the subject-matter of economics; the fundamental conditions of wealth for isolated man and for society; coöperation, or combination and division of labor; population; the social order; the controlling power of demand; the control or provision for the future; continuous power to demand, or income; the classification of incomes; the division of earnings between owners and workers; incomes from ownership of property; incomes from work; the relation between individual income and individual wealth; and the wealth of nations. In every chapter the discussion centers about fundamentals and there is a conspicuous absence of unessential detail. Indeed, it is a question whether some essential matters have received adequate treatment, such as the origin of demand, the exact nature of saving, the relation of the services of individuals to their incomes, and the possibility and extent of exploitation.

On the other hand, the author has given special attention to certain important subjects that have been slighted or ignored by many writers. His discussion of the hereditary character of inequalities of income, of the inferiority of women's earnings, and the differences in the wealth of different countries, is particularly illuminating.

University of Nebraska.

J. E. LE ROSSIGNOL.

Property. Its Duties and Rights. Historically, Philosophically and Religiously Regarded. Essays by VARIOUS WRITERS with an Introduction by the BISHOP OF OXFORD. (New York: Macmillan. 1913. Pp. xx, 198. \$1.50.)

It is coming to be understood that no treatment of economic problems can be exhaustive, unless it includes a discussion of property, for property is the most fundamental social institution and upon it our industrial life rests as a superstructure. As it changes, all else of an economic nature changes too. Furthermore, we all now know that property is in a perpetual process of change and

that it may not be taken for granted as a constant force either for strictly scientific purposes or for practical guidance.

Consequently, thoughtful men who are stirred by present social evils and feel that it is incumbent upon them to seek the means of social amelioration, desire to know what property signifies, what are its ethical sanctions, what are its limitations, what it is permissible for organized political society to do with property in order to decrease the bad influences which spring from its deficiency or its excess in individual hands and to increase the benefits which it brings to humanity. The present work is an endeavor to formulate a scientific theory of property for practical guidance, and it springs from a group of men mostly more or less closely affiliated with Oxford, England, which has for thirty years and more been the source of much of the best writing that has appeared on the ethical aspects of economic questions; as is seen in the various publications of the Christian Social Union and especially in the *Economic Review*, issued under the auspices of that society.

Dr. Charles Gore, Bishop of Oxford, an able leader in this group, explains the origin of the book and its nature in an excellent introduction from which the following quotation is taken (p. vii):

I think that I shall best justify my appearance as introducing this volume of Essays if I explain the circumstances of their origin. Dr. Bartlet, of Mansfield College, Oxford, had written a letter to the *British Weekly* strongly urging upon Christians the duty of reconsidering their ideas about property in the light of the Bible doctrine of stewardship—the doctrine that God the Creator is the only absolute owner of all things or persons—that “all things come of Him” and are “His own,” and that we men hold what we hold as stewards for the purposes of His Kingdom, with only a relative and dependent ownership limited at every point by the purpose for which it was entrusted to us. He was good enough to send me his letter and to suggest that we might combine to issue some literature of a popular kind about the duties and rights of property based on this Biblical doctrine.

Naturally I felt a cordial sympathy with the idea, but I said that before anything of a popular kind was issued, I thought that we needed some more thorough or philosophical treatment of property in idea and history.

The authors of the book then endeavor to get beyond vague general statements of the stewardship of property to some precise meaning of the idea of stewardship, and to find a scientific foundation for practical action; and the entire spirit of the book is as far from exhortation as Marshall's *Principles of Economics*.

Several essayists, taking Christianity as a fact, endeavor to show what it has meant and now means to the owner of property, and they do this by scholarly processes; other essayists give their inquiries a more general philosophical scope. While the book is popular and wide in its appeal, one feels the scientific spirit in it everywhere, but one also feels that the limitations of space are such that most of the reasoning and of the scholarship upon which conclusions rest is necessarily omitted or merely suggested.

Chapter I is entitled *The Historical Evolution of Property, in Fact and in Idea*. Its author is Professor L. T. Hobhouse, who holds the chair of sociology in the University of London. It is in this chapter that one most feels the limitations of space, and perhaps it was scarcely worth while to attempt so large a task when only thirty-one printed pages were available. The author fails to make a necessary distinction between possession and property, but does make an untenable distinction between "property held for use by its owner and property as a means of controlling the labour of others." It is simply a question of degree and the real question is that of the best distribution of property and of what constitutes excessive wealth and of the means of avoiding bad distribution. Even Adam Smith recognized the idea of excessive wealth. Professor Hobhouse, the reviewer feels, has not done himself justice.

All the other essays have a more limited scope and are excellent. The titles and authors are as follows:

Introduction, by Charles Gore, Bishop of Oxford;

- I. *The Historical Evolution of Property, in Fact and in Idea*, by L. T. Hobhouse;
- II. *The Philosophical Theory of Property*, by Rev. Hastings Rashdall;
- III. *The Principle of Private Property*, by A. D. Lindsay;
- IV. *The Biblical and Early Christian Idea of Property*, by Rev. Vernon Bartlet;
- V. *The Theory of Property in Mediaeval Theology*, by Rev. A. J. Carlyle;
- VI. *The Influence of the Reformation on Ideas Concerning Wealth and Property*, by H. G. Wood;
- VII. *Property and Personality*, by Rev. Henry Scott Holland.

The reviewer is tempted to exceed all proper lengths and to quote from each author; but he must content himself with a few words about the last essay and close with a quotation from Dr. Gore which gives the conclusion reached by all of the contributors to this volume, which is an exceptionally able and scholarly treat-

ment of the ethical and religious aspects of our economic life. Dr. Holland examines the statement that "personality requires private property for its full development" and observes that under individualism the personality of those without property must wither. Property is necessary to personality, but very generally the workers lack property. How escape from this dilemma? The way out of the difficulty is found in a reëxamination of personality, which is found to be social and collective; and collective or public property can afford a sphere for personality; and the individual as a property owner must act as an organ of society. But Dr. Holland concedes:

This ideal identification of individual and society is only possible if God be the one supreme authority over both, Himself the only absolute justification of all rights of ownership (p. 171).

The quotation from Dr. Gore which must close this review is as follows (pp. xvi-xvii):

What are we to say, then, about the still dominant individualism, the assertion of an almost unlimited right of acquiring, retaining, and perpetuating property, which breaks out against either any strongly urged moral claim for voluntarily giving better conditions to the poorer workers as an act of justice, or against any action of the State which tends in the direction of a more equitable distribution of the proceeds of industry?

We are bound to say that, looking at the matter philosophically, it has no validity. The particular laws which at any moment regulate the holding of property, or determine the burden which it is to bear for the public good, are laws of the State; it is the State which alone enables property to be gathered and held; and there is no legitimate claim which property can make against what appears to be the welfare of the State. It is hardly possible to state the principle too strongly. We are only saying the same thing in other words if we say that the tenure of property in any community must be judged by its tendency to promote what alone is the real end of civil society—that is, the best possible life for man in general and all men in particular. If it appears that the conditions of property-holding at any particular period sacrifice the many to the few, and tend to starve the vitality or destroy the hope or depress the efforts of masses of men and women, there is no legitimate claim that property can make against the alteration of conditions by gradual and peaceable means.

University of Wisconsin.

RICHARD T. ELY.

Principles of Economics. By N. G. PIERSON. Volume II. Translated from the Dutch by A. A. WOTZEL. (London: Macmillan and Company. 1912. Pp. xxiii, 644. \$3.25.)

Those who have profited by a reading of volume I of Pierson's

Principles of Economics will welcome the English translation of the second volume, belated though it was because of the pressure of fiscal duties upon the translator and the destruction by fire of a large part of the manuscript of the first English translation. This volume resolves itself into the two fundamental and semi-independent subjects of "Production" and the "Revenues of the State." The position assigned to "Production" in the treatise and its identification by the author with fundamental problems of social and industrial reform make it, to use a rather loose analogy, the center of gravity not only of this volume, but of the author's entire economic discussion.

Of the two volumes this is the most interesting part. Here, much more directly than elsewhere, the author reveals himself as a neo-classicist. His viewpoint and assumptions are clearly those of that school. Within the present framework of society, which deserves only slight alteration, competition is to him an adequate force of social organization and economic distribution. Admitting more exceptions than the classicists, the author is favorable to the general principle of laissez-faire (p. 365). He is opposed, on the one hand, to attempts to hothouse industrial prosperity, *e.g.*, by protection; and, on the other, to changing radically the individualistic organization of industry, *e.g.*, through socialism. From the very first, Henry George (pp. 3-4) and the socialists (*passim*) are objective points of attack. His conception of society is static, and in spite of an occasional excursus into a question of industrial development leading to qualitative changes (pp. 67, 82, 368, 618), his thought runs in static terms. He goes beyond the classicists in considering questions concerning institutions, *e.g.*, private property and inheritance, rather than confining his attention to those converging in the market. But here the market process is usually his point of departure.

All of these questions he approaches from the utilitarian standpoint, but nowhere defines "public welfare" which is his ultimate criterion of justification. Nor does he attempt, in view of the infinite variety of produced goods and the impossibility of finding any other unit of measurement for them than the value unit and the fact that a change in economic arrangements would be followed as a necessary consequence by a change in the quantities, to say nothing of the qualities, of goods produced, to make a clear statement of what is meant by productive efficiency. In general, however, it is quite clear that his ultimate standard is a

class society, such as prevails at the present time (pp. 274-275). Like other contributions to economic theory, this work, while explicitly positive and expository, is implicitly ethical and argumentative. In brief, "Production" is the expression upon projects of reform of one whose viewpoint is that of the so-called "common-sense" man.

In view of these antecedents the author's thesis is definite and intelligible. It is that industrial peace and prosperity depend, not upon elaborate programs of social and industrial reform, but upon an increase in productive efficiency. As for distribution, "A plentiful production helps to bring about greater equality in terms of distribution" (p. 5). The key to his discussion is his close association, in spite of many admitted exceptions, of production and self-interest. The identification of individual reward and social service is put as strongly as it is capable of being put (pp. 40-47). Socialism, crises, and trade unionism are subordinated to the discussion of production and self-interest and made instruments in proving this larger thesis. Perhaps the case against the lack of appeal to self-interest in socialism is made better than anywhere else in economic literature. "Production" also contains vigorous and clear-cut arguments in favor of restricting population, against the granting of protective duties, and in favor of private property and inheritance, as means, directly to productive efficiency, and indirectly to equitable and economic distribution.

The discussion of the "Revenues of the State" proceeds from the same assumptions, and might almost be pronounced a part of the discussion of production. His concern with expenditure and taxation is not purely a fiscal one; to him, rather, problems of finance are problems in social economics. In connection with various fiscal proposals he reverts again to discussions of production. For instance, the question of customs duties becomes a question of free trade versus protection. Throughout, the question is always one of productive efficiency. While much of the matter is of universal interest, the larger questions are so intimately connected with practical politics and fiscal facts and proposals in the author's immediate environment that the abstraction of principles vital and interesting in view of the very different conditions in America becomes both difficult and irksome.

Aside from the general thesis of the book, and much more important to economists, are the discussions of problems, or aspects

of problems, which in isolation are extremely valuable. The book contains many clear, pointed, and vigorous expositions of common economic fallacies. Typical of these are the arguments that there can be no such thing as general overproduction (p. 11), that saving does not cut down the demand for goods (p. 12), and that paying foreigners for transportation does not discourage domestic industry (p. 214). It is quite unfortunate that these discussions, ranking with anything of their kind in economic literature, will be read almost exclusively by the class in society which needs them least. Quite as significant are discussions of vital but obscure aspects of public problems. Examples are: discussions of the difficulties of accumulating capital in the socialistic state (p. 90, *seq.*); of the problems to be solved in making a transition from capitalism to socialism (pp. 88-90); of the real meaning of the law of population (p. 124); and of the incompatibility between increasing population and the realization of the socialistic ideal (p. 141, *seq.*).

From minor inaccuracies and loose analysis the book is remarkably free. The author occasionally loses the question at issue, as when he devotes several pages (p. 114, *seq.*) to an attempt to discover the numerical rate of increase in population, although, as he would admit, exact rates of increase have nothing to do with the truth of the law of population. Occasionally his analyses lack thoroughness. In calling Henry George an advocate of land nationalization (p. 221 and elsewhere, p. 262), he makes no distinction between the single tax and land nationalization. In connection with his discussion of comparative costs, he uses language the implication of which is that labor is the only cost of production (p. 181). More serious is a pronouncement that the furnishing of immaterial goods is not productive (pp. 24-28). This failure to impute productivity to immaterial services reminds one of the very early classicists; and, like them, his illogical discussion is the result of a confused concept of production. Instinctively the word has for him its technological connotation, its pre-economic meaning. It is only when he makes a determined effort that he uses the word with a purely value connotation. But he does this enough to make his position illogical as well as irrelevant to the current economic situation. His static viewpoint causes him to discuss the manorial system in terms of current property arrangements (p. 230 *seq.*).

WALTON H. HAMILTON.

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Economic History and Geography

Henry Demarest Lloyd, 1847-1903. A Biography. By CARO LLOYD. Two volumes. (New York: G. P. Putnam's Sons. 1912. Pp. xviii, 308; vii, 390. \$5.00.)

In college Henry Demarest Lloyd distinguished himself as a writer. Showing marked aptitude for the legal profession, he en-

tered the law school and was admitted to the New York bar in 1869. Even before his graduation from college his controversial powers, exerted in behalf of his class, secured for him the title of "the man who threw Prex"; and as commencement orator he delivered a phillipic against monopoly under the catch phrase "Soda and Society."

Immediately upon graduation from the law school he became a militant reformer. His first attack was directed against the management of the Mercantile Library, in which he had been employed. In this movement he had the active coöperation of many prominent citizens, and, finally, as the result of a great public meeting at which Henry Ward Beecher delivered a strong address, the Cooper Union, the Mercantile Library, and later other libraries and reading rooms were open to the public on Sunday. Immediately thereafter Mr. Lloyd joined in the first attack on Tammany Hall; and he assisted in the formation of the Young Men's Municipal Association.

Mr. Lloyd's life work really began in 1881 when he contributed to the *Atlantic Monthly* the first of his attacks upon unregulated monopoly under the caption "The Story of a Great Monopoly." He charged the railroads with crippling industry by permitting conditions which resulted in the great strike of 1877; with creating the Standard Oil Company by the aid of rebates; and with planning a great railroad monopoly embracing the most important roads under one organization.

Meantime he had been a regular editorial writer on the *Chicago Tribune*, and as a result of the double load that he had been carrying for years his health failed, and for a while his pen was laid aside. With returning health, the Chicago anarchists, religion, the eight-hour day, and the position of labor occupied his attention. Then he returned to the subject of monopoly and the result of three years' labor appeared in 1894 in the well-known *Wealth against Commonwealth*. For material he searched the court records wherever cases relating to monopoly had been in litigation. The book was rewritten three times. Four publishers in turn refused it. Finally, through the kindly offices of his friend William Dean Howells, Harper and Brothers accepted it. After the publication Mr. Lloyd waited in anxiety, expecting to be "crushed" by the Standard people. He was surprised that no attempt was made to attack either the book or the author. He regarded himself as a modern crusader against the "most dangerous tendencies

of modern life," and in this battle he counted himself successful. "So far the armour-plate of *Wealth against Commonwealth* remained shot-proof," he wrote the publishers in 1898. He was again surprised at the apathy with which the American public and the rest of the world received his disclosures. "The terrible thing about the business," he wrote Samuel Bowles, "is that the American people stand convicted of a willingness to allow to go unpunished and unprevented an habitual course of procedure which their own law declares criminal and which their own courts have specifically condemned."

Mr. Lloyd's disappointment over the failure of his book to secure immediate results had a profound effect upon his character and the work of his later years. From this time on he became more and more interested in coöperative enterprises and the formation of a People's party for the avowed purpose of establishing the rule of the people and thus preventing the further progress of monopoly and special privilege by substituting government ownership and the coöperative movement.

Henry Demarest Lloyd was a pioneer and like most pioneers he was enthusiastic, impetuous, and impatient of delay. He believed in the universal brotherhood of man and he tried to establish universal democracy by the pen without waiting for the growth of a feeling of brotherhood upon which alone a permanent democracy can be based. He had a profound faith that in some way the United States was to lead the way in the emancipation of the world. The Saviour of man's moral life had come from the East. The saviour for the economic life of man was to come from the West. "When the West gets its full strength of bone and mind, and knows and trusts itself and becomes conscious, the revelation will come."

The work is written in a sympathetic spirit, and with much literary charm and taste. The extracts from Mr. Lloyd's correspondence are numerous and apt, and the two volumes are representative of the best in the bookmaker's art.

MAURICE H. ROBINSON.

The University of Illinois.

A Select Bibliography for the Study, Sources and Literature of English Mediaeval Economic History. Compiled by a seminar of the London School of Economics under the supervision of HUBERT HALL. (London: P. S. King and Son. 1914. Pp. xiii, 350. 5s.)

As the title-page indicates, and as the preface explains in detail, this book was compiled by members of a seminar, working under the difficulties inseparable from composite authorship, and further handicapped by changes in the group of members and by lack of time. The need of such a work has been felt by all who have had occasion to work in medieval economic history, and even though the work compiled under Mr. Hall's supervision fails to meet in all respects the demands of modern critical scholarship, it will be of service, and in many of its features deserves unstinted praise.

The total number of entries comprised in the bibliography is 3,199, but as titles are sometimes repeated under different heads allowance must be made for duplication and the net total may be estimated at slightly over 3,000. It is somewhat less, therefore, than the number (3,234) in Gross's *Sources and Literature of English History*, and about three times the number in Miss Moore's *Bibliography of Manorial History*. It should be noted, however, that the contents of the new book are broader than its title promises, for they cover not only England and the other countries in the United Kingdom, but contain also a selection of titles on the sources and literature of the economic history of the continental countries. The value of the book appears to lie in the convenience that it offers to the English students of medieval economic history in general, rather than in its contribution of new material for the study of English economic history in particular.

The preface informs the reader that "the niceties of bibliographical descriptions have been dispensed with," and in fact entries are compressed into half the space which they occupy in Gross. The reader misses not merely the notes of appreciation and criticism which make the work of Gross so valuable, but also much information of importance which could be given at very slight additional cost. He finds the same form of title used for a set of folio volumes and for a duodecimo pamphlet; he is left in the dark regarding the edition cited, or finds a certain edition (e.g., *Britton's Laws*, ed. Kelham, 1762) without reference to one that is later and better; he finds a title and tries sometimes in vain to find the book or article to which it is attached. The reviewer spent ten or fifteen minutes seeking to trace "618. Arrows and arrowmakers. Washington, 1891." The ordinary trade lists and government catalogues (including the printed card catalogue of the Library of Congress) did not enable him to satisfy his

curiosity as to whether a Smithsonian contribution on the Red Indian had not crept into a list of books on medieval arms and armor.

The book is divided into three main parts. Part I, covering 80 pages, contains general bibliographies, inventories of records, and general references on history and auxiliary subjects; part II (pp. 81-180) is devoted to the sources (pp. 145-180, continental); part III (pp. 181-272) contains modern works; brief appendixes and a good index (pp. 284-350) close the work.

Of the three main parts, the first two are distinctly the best. Introductory statements, presumably from the pen of Mr. Hall, and covering topics on many of which he is a recognized authority, give excellent surveys of the classes of material, and of the uses to which it may be put. The lists of titles seem to be representative and useful. Noteworthy omissions which occurred to the reviewer were only two in number: Henri Stein, *Bibliographie général des cartulaires français*, Paris, 1907, and *Vierteljahrsschrift für Social- und Wirtschaftsgeschichte*, Leipzig, 1903 ff.

The third part is open to criticism on several grounds. In the first place, it omits many of the best books and articles on English medieval economic history. On the English Staple, for example, there is but one reference, to Williams' Staple Inn. Reference to Gross's *Bibliography* would have reminded Mr. Hall that he himself wrote an article on the subject in 1883, and if he preferred not to include this article (and another by Brodhurst, *Law Quarterly Review*, 1901), he might at least have given a reference under this head to the Cely Papers, on which his article was based, and should certainly have listed Adaline L. Jenckes, *Origin, Organization and Location of the Staple* (Philadelphia, 1908). Likewise, under the head of Merchant Adventurers, there is but a single reference, to Lingelbach's study on *Internal Organization*, while no mention is made of his source collection of 1902, to Te Lintum, or to periodical articles. Steffens, *Lohnarbeiter* (Stuttgart, 1901 ff.), is not listed, although it appears in the original Swedish, in Gross. The reviewer fails to find articles of substantial importance, of which some appeared in periodicals which could scarcely escape the attention of the compilers: Whitwell, "Italian Bankers and the Crown," in *Transactions of the Royal Historical Society*, 1903; Kriehn, "Revolt of 1381," in *American Historical Review*, 1902; Law, "King's Merchants," in the *Economic Review*, 1902-03; Schaube, "Wollausfuhr Eng-

lands," in *Vierteljahrschrift*, 1908; Roncière, "Blocus Continental," *Revue des Questions Historiques*, 1896, and so forth.

The treatment of the continental material is still less satisfactory. The preface admits that "the selection made here is not exhaustive, and is even arbitrary," and, in fact, the work of the compilers in this part of the field is so inadequate that it demands all the charity of judgment for which the circumstances of preparation plead. Many good books are entered, but they are mixed with much second-rate material, or with books lying mainly or wholly outside the period (*e.g.*, Knapp and Grünberg on *Bauernbefreiung*); they are badly classified, and they omit many representative works. One looks in vain for important contributions, in one part or another of the field, by Flach, Luchaire, Heck, Wopfner, Falke, Schönberg, Bücher, etc. In recent years nothing has been published on medieval economic history which better deserves serious consideration than the articles contributed to periodicals by Schmoller and by Below, yet to these articles, numbering perhaps a score, not a single reference appears.

The proof-reading of foreign titles has been carelessly done, and errors are common. For example Köttschke appears twice, once as Köttschke and once as Köttschkte; and Kowalewsky, the German spelling of the name of the author of *Die ökonomische Entwicklung*, is misspelled every time of the three that it appears.

CLIVE DAY.

Yale University.

The History of the Grain Trade in France, 1400-1710. By ABOTT PAYSON USHER. Harvard Economic Studies, IX. (Cambridge: Harvard University Press. 1913. Pp. xv, 405. \$2.00.)

A serious student of the history of commerce must agree with the author of this book, that a disproportionate amount of study has been devoted to the history of foreign trade, and that too little has been given to the study of domestic trade, particularly to the development of the trading organization. For work of this latter kind, which seeks to analyze the institutions of commerce, and to trace the steps by which middlemen, markets, and public policies have been transformed with the development of society, the history of the grain trade in France furnishes an excellent field. In some aspects the topic has already been treated by

Araskhaniantz and others, but the material relating to it is so abundant and the problems which it offers are so numerous and important that it was well worth further study; and it has yielded valuable results to the painstaking investigation and thoughtful construction of Dr. Usher.

The first and larger part of the book describes the development of the market organization, with especial regard to the ways by which Paris and Lyons secured their grain supply; part II (pp. 223-362) covers the subject of public regulation; and the book closes with a table of measures, a glossary, a bibliography of manuscript and printed material, and index. Two maps, in black and white, illustrate market areas.

The author distinguishes in the sixteenth and seventeenth centuries three general classes of market systems (p. 37): (1) those based entirely on the old town markets, with or without the functioning of retail grain merchants (*blatiers*); (2) wholesale trade based on markets supplied by the retail merchants; (3) wholesale trade based on private granaries in the producing regions. The grave faults of all these systems, when measured by the needs of society, were the invisibility of the food stock, and, resulting therefrom, prices determined by custom or by personal influences which were of no help in distributing the supplies "for the greatest good of the greatest number." Low prices might persist in spite of a deficient stock, until, abruptly, consumers would recognize that they were on the verge of famine (pp. 182 ff., 219). Then the people fell prey to unreasoning panic; the movement of food supplies stopped, as each person clung fast to what might lie within his reach; and the most strenuous exertions of public authorities could not make good the breakdown of the distributing organization (pp. 196, 201, 323). In a certain stage of development wholesale trade intensified rather than corrected the evils; and the invisibility of the food stock was nowhere more marked than at Paris, where public regulations did their share to exaggerate the fault (pp. 118 ff.). The solution appeared in the development, first at Bray after 1680, and later in 1709 at Vitry under the influence of Delamare, of a regular wholesale grain market, with prices based on social facts and of social significance (pp. 39, 115, 326, 360).

The wholesale trade, which had existed so long without any definite organization, the haphazard buying in granaries, the energetic scouring of the country, the disorderly bargaining with the carters outside the town gates or in the streets—all this chaos had at last been sup-

planted by an orderly daily market with a steady inflow of supply and a comprehensive representation of the wholesale demand.

At Lyons the municipal authorities maintained a public granary, by which to regulate prices and alleviate distress, but the author mentions no other institution of the kind. In spite of Colbert's low opinion of municipal grain stores the institution was pretty general in Europe, and was established even in the American colonies; and an explanation of the divergence of French practice might well have occupied the author's attention.

Dr. Usher traces the history of public regulation of the grain trade with a critical ability which is much needed where there is so great divergence between the text of laws and the actual facts. It is interesting to note that he finds in Colbert the precursor of the modern free-trader as well as the protectionist (p. 273); but credits Laffemas with many of the ideas embraced in Colbertism (p. 351).

That the book is hard reading is due largely to the difficulty of the subject, and the character of the manuscript material on which it is mainly based. The author's meaning is sometimes obscured in the introductory chapter by vagueness in the use of technical economic terms, but is made clear in later chapters when illustrated by concrete facts. Dr. Usher deserves distinct credit for going as far as he has gone in the reconstruction of a past organization; and his work is welcome as a proof and promise of what can be done by American students in the field of the institutional history of commerce.

CLIVE DAY.

Yale University.

La Question Sociale en Espagne. By ANGEL MARVAUD. Musée Social. (Paris: Félix Alcan. 1910. Pp. 475.)

L'Espagne au XX^e Siècle. Etude Politique et Economique. By ANGEL MARVAUD. (Paris: Librairie Armand Colin. 1913. Pp. xiv, 515.)

The author of these scientific treatises on social, political, and economic conditions in Spain announces that he makes no attempt to be picturesque and has nothing to say of bull fights and castanets—the preoccupations of the ordinary tourist in the land beyond the Pyrennees. He aims to understand the actual status of the Spanish people, the reasons for decadence, and the possibilities of recovery. For a thoroughgoing study of the working

classes such as the first of these two volumes undertakes, the official records offer little aid. Not until the *Instituto de Reformas Sociales* began its investigations ten years since, were there any statistical publications of serious value. M. Marvaud had the advantage of working in the admirable collection of reports now to be had at the institute's headquarters in Madrid and the generous coöperation of some of the ablest men in Spain.

The picture presented is not a cheerful one. The greater portion of Spain's natural wealth is undeveloped. Lands that might be highly productive lie idle for lack of irrigation; mineral deposits remain untouched because the mining rights have been conceded to promoters who hold them at exorbitant prices; industrial enterprise is stifled by excessive taxes. The upper classes are essentially non-industrial, for manual labor, trade, and even commerce are deemed unworthy a *hidalgo*; and a man of good family expects to live on his income or, failing estates and investments, off his wits. The working classes, in town and country alike, are miserably paid, wretchedly housed and fed, ignorant, and, after a century of unprofitable revolution, hopeless of bettering their situation. Thousands of peasants, farm laborers, and mechanics—the young, the vigorous, the enterprising predominating—leave Spain every year for South America (the Argentine Republic for the most part), where they hope to find among a people of common language and common faith, opportunity to earn a living and establish their children in comfort. The annual emigration from Spanish ports has doubled within a decade and now amounts to more than two hundred thousand. Italy alone of European nations can show a comparable rate of increase. That Spain cannot afford this steady drain on her labor force is evident from the fact that her population density is less than that of Italy, Austria, Germany, or France, and that one of the prime causes of her industrial backwardness is a dearth of intelligent laborers.

Facing this grave situation, the government has entered upon a policy of *interventionisme*. Under the inspiring leadership of a group of up-to-date and public-spirited men in Madrid—Azcarate, the Republican, Moret, the ablest of the liberal premiers, Dato, the present conservative prime minister—a remarkable series of reform legislation has been promulgated, destined to secure better living and working conditions for every type of labor. The year 1900 witnessed the enactment of an admirable workmen's

compensation act, as well as the establishment of tribunals of arbitration and conciliation and the initial limitations on the labor of women and children. Other protective enactments have followed in rapid succession: a ten-hour day for miners, an eleven-hour day for women wage-earners, and prohibition of night work for women and children, as well as of employment at underground or dangerous industries. In 1911 a law was passed enabling municipalities to condemn unsanitary dwellings, purchase the land at an arbitrated price, and erect model houses on the vacated property, to be rented at low rates to working men.

For the benefit of the peasant farmer, the law of 1906 sought to encourage the organization of coöperative societies authorized to buy and sell at wholesale, bring waste lands under cultivation, establish credit agencies, etc.; and under the direction of the Catholic socialists much has already been accomplished along these lines. A movement is now on foot to promote agricultural education through schools and experiment stations and thus to substitute scientific culture for the crude and wasteful methods customary in Spain from time immemorial. Of even more service to agriculture would be a readjustment of tariff duties, permitting the free importation of machinery, seed, fertilizers, etc., but the opposition of the manufacturing sections of the north will successfully prevent such a change of policy for many years to come. The curse of latifundia and absentee landlordism and the crushing burden of taxation shifted by the wealthy proprietors to their poor neighbors are the underlying causes of rural discontent, but it would be a foolhardy premier who would undertake to institute expropriation against the unanimous protest of the landed nobility. Such a reform can be brought about by nothing short of general revolt.

The coming generation of Spaniards will probably see the rapid substitution of state intervention for the policy of laissez-faire and the devil take the hindmost so long accepted that it has become second nature to the people high and low. With the connivance of Marxian socialists and Catholic socialists, the cordial support of the party of reform, and the favor of the king, the exploitation of the laboring classes is being contested in the interest of race survival.

KATHARINE COMAN.

L'Expansion de l'Allemagne. Ses Causes, ses Formes, ses Conséquences. By Capitaine HENRI ANDRILLON. (Paris: Librairie Marcel Rivière et Cie. 1914. Pp. 364. 3.50 fr.)

Just as we have finished reading the remarkable declaration of good-will to Germany recently issued in Paris and signed by seventy-one well-known Frenchmen, artists, writers, teachers, and business men, we are confronted by Captain Andrillon's call to arms. The captain has the simple militarist creed and he preaches from it on every page. "In time of peace prepare for war and do it quickly." It alarms him to see the whole German Empire organized as a mighty machine directed from Berlin with a single-minded purpose to make Germany the most powerful nation in the world, to push its trade into the first rank and to keep in touch and hold the affection—if not also the allegiance—of every settlement of Germans under any flag on the globe. To him every fact of German expansion hides—or reveals—a menace to France. The captain finds the first and deepest menace in the moral forces of German expansion: in pan-Germanism or the belief that the German race is and should be superior to all others; in reverence for military power; in disregard of the rights of other races; in desire for political supremacy; in determination to acquire strength of all kinds at any cost.

Next he reviews the material forces of German expansion and the methods by which German society, German industry and the German state have combined all the forces of development, both moral and material, to win the German "place in the sun."

His fundamental fact is, of course, the increase of population in the German Empire in forty years from 40,000,000 to 65,000,000 despite the emigrations which have planted new Germans in many other nations. This investigation the author develops minutely in three chapters, the first of which is entitled *The Economic Expansion of Modern Germany*. He shows that the industrial and commercial elevation of Germany from the fifth to the second place among nations has been due to the skilful use of the power of the state. He cites case after case to show that former Parisian manufacturers are now only commission merchants to sell articles "made in Germany."

Altogether there are, in our capital, about 300 German corporations doing business, and 400 German commission-houses.

The factories which despoil our chestnut groves in order to produce materials for tanning leather are German eight times out of ten.

All our druggists are almost completely supplied by German dealers or by the auxiliaries that Merck, Bayer, Schering and Schimmel have in France.

Since 1904 there has existed near Landerneau a manufactory for the production of the materials of ammunition. This factory which sells its goods at ridiculous prices and is ready to supplant the French manufactures upon the award of the Minister of War, has been erected by German capital and its expert director is a reservist officer in the German army.

Marseilles, for instance, is connected today with Constantinople and Alexandria by eight German steamers of the first rank which call at all principal ports: French companies, having employed only old boats on these lines, must today either declare themselves beaten and withdraw their services, or make radical changes and enter the competition with new resources.

Captain Andrillon sums up the results of economic growth in Germany as follows:

(1) Coincident growth of an ambition for political supremacy and of a spirit of commercial enterprise. Checkmated in China and in South Africa, Germany exercises in Turkey today an economic control measured by the success of its efforts to maintain a political preëminence there.

(2) Increase of national wealth. Chancellor von Bülow declared in the Reichstag, Nov. 19, 1908, that the total wealth of the Empire was increasing at the rate of 4 milliards of marks a year.

(3) Economic development caused political and territorial conquests. "We have won," said Bismarck, "a military Sedan. Now we must bring about a commercial Sedan." The author cites England's control of Egypt as the first instance of this modern kind of conquest.

(4) Economic development can produce causes of war. A growing Germany needs new markets and more subject races. When the supply of new markets stops and Germany must struggle for outlets, there must be a terrible war, "*ein Hungerkrieg*."

The last half of the volume is devoted to an analysis of the emigration from Germany: (1) to its own colonies, a decreasing stream; (2) to districts under other flags which have become German settlements, as in Brazil, where the native press speaks of a "German peril"; (3) to the United States where 25 millions of people own a German lineage (more than 600 German papers are published in the United States and only one paper in French); and (4) to the neighboring countries of Europe where every

effort is made to keep the sentiment of patriotic allegiance to the Fatherland warm and firm.

The most interesting chapter in the book is that which describes the German expansion in France. The author has raked together every important expression or sign of German hostility to France or dislike of its people, and marshals the statistics of immigration and business to show that if population remains stationary in France and grows steadily in Germany, it is inevitable that the excess of population in the latter will overflow into the spare corners of the former and will finally absorb or replace the less prolific stock. Having thus brought his countrymen face to face with conquest in its most invidious form, the author utters a final cry of scorn against all who think that peace with such an enemy can be wise or safe.

C. H. LEVERMORE.

NEW BOOKS

- ASHLEY, W. J. *The economic organization of England. An outline history.* (New York: Longmans. 1914.)
- BARTLING, K. *Handels- und Verkehrsgeographie zum Gebrauch in Handels- und Fortbildungsschulen und verwandten Lehranstalten.* (Leipzig: List & von Bressensdorf. 1914. Pp. viii, 155. 1.75 M.)
- BENKERT, C. *Die Entwicklung des Dresdner Wohnhauses vom 16. bis zum Ausgang des 18. Jahrhundert.* (Munich: Duncker & Humblot. 1914. 3 M.)
- BRUECKER, F. *Der deutsche Niederrhein als Wirtschaftsgebiet.* (M. Gladbach: Volksvereins Verlag. 1914. Pp. 126. 1 M.)
- CALWER, R. *Das Wirtschaftsjahr 1911.* (Jena: Fischer. 1913. Pp. vii, 332. 15 M.)
- CAMBON, V. *Les derniers progrès de l'Allemagne.* (Paris: Roger. 1914. 4 fr.)
- CARR, C. T. *Select charters of trading companies, A.D. 1530-1707.* Publications of the Selden Society, XXVIII. (London: Quaritch. 1913. Pp. cxxxvi, 322.)
- COLAJANNI, N. *Il progresso economico.* Two volumes. (Rome: Bontempelli. 1913. Pp. 272; 135. 4.50 fr.)
- DUEVELL, T. *Die Gütererwerbungen Jakob Fuggers des Reichen (1494-1525) und seine Standeserhöhung.* Studien zur Fugger Geschichte, 4. (Munich: Duncker & Humblot. 1913. Pp. x, 228. 6 M.)
- FERRERO, G. *Ancient Rome and modern America. A comparative study of morals and manners.* (New York: Putnams. 1914. Pp. vi, 352. \$2.50.)

- FLEGEL, K. *Die wirtschaftliche Bedeutung der Montanindustrie für die kulturelle und industrielle Entwicklung eines Landes unter besonderer Berücksichtigung des Deutschen Reiches.* (Kattowitz: Böhm. 1913. Pp. 52. 2 M.)
- GINSBERG, F. *Die Privatkanzlei der Metzger Patrizierfamilie de Heu 1350-1550.* (Berlin: W. Neumann. 1913. Pp. vii, 215. 6 M.)
- GRUNDMANN, J. *Handels- und Verkehrsgeographie mit besonderer Bezugnahme auf die wirtschaftlichen Verhältnisse Deutschlands.* (Leipzig: Dürr. 1914. Pp. viii, 124. 2.25 M.)
- GRUENFELD, E. *Hafenkolonien und kolonieähnliche Verhältnisse in China, Japan und Korea.* (Jena: Fischer. 1914. Pp. vii, 236. 7 M.)
- GUEST, G. *A social history of England.* (New York: Macmillan. 1914. Pp. 11, 209. 40c.)
- GUYOT, Y. *L'industrie et les industriels.* (Paris: Doin. 1914. Pp. xx, 356. 5 fr.)
- HEATON, H. *The letter books of Joseph Holroyd (cloth-factor) and Sam Hill (clothier).* (Halifax: F. King & Sons. 1914. Pp. 41. 2s.)
Documents illustrating the organization of the Yorkshire textile industry in the early eighteenth century, published by the Bankfield Museum, Halifax.
- HEMMEON, M. DEW. *Burgage tenure in mediaeval England.* Harvard historical studies, XX. (Cambridge: Harvard University Press. 1914. Pp. viii, 234. \$2.)
- JONES, A. *The period of the industrial revolution. The people's books,* 45. (New York: Dodge Pub. Co. 1914. Pp. 94. 25c.)
- JUDSON, K. B. *Subject index to the history of the Pacific Northwest and of Alaska.* (Olympia, Wash.: Washington State Library. 1913. Pp. 341.)

The growing interest in the history of the Pacific Northwest is evidenced by the publication of this documentary index to the historical material relating to the Oregon country and to Alaska. It embraces the period from 1789 to 1817 and includes only the official publications of the federal government. No attempt is made to cover private works of history, travel, or description relating to this section, or the documents published by the states themselves. As the latter will in due time be covered by the *Index of State Legislation* now in course of publication by the Carnegie Institution, it was probably unnecessary to duplicate this work, but it is to be hoped that the present volume may be supplemented by an index of books of travel and description, of county histories and of like books, similar to that recently prepared for the Illinois Historical Society by Dr. S. J. Buck. The subject index is arranged alphabetically by subjects; and within each subject, chronologically by

the date of writing or publication. The work has been carefully done, but is published in cheap and unattractive fashion.

E. L. B.

JUNG, F. *Die natürlichen Grundlagen der wirtschaftlichen Entwicklung Argentiniens und dessen Anteil am Welthandel.* (Borna: Noske. 1913. Pp. vii, 107. 2 M.)

KOEHL, O. *Zur Geschichte des Bergbaues im vormaligen Fürstentum Kulmbach-Bayreuth, mit besonderer Berücksichtigung der zum Frankenwalde gehörigen Gebiete.* (Hof: Kleinschmidt. 1914. Pp. 144. 2 M.)

KOWALEWSKY, M. *Die ökonomische Entwicklung Europas bis zum Beginn der kapitalistischen Wirtschaftsform.* Bibliothek der Volkswirtschaftslehre und Gesellschaftswissenschaft, XX. (Berlin: Prager. 1914. Pp. xiii, 509. 11.50 M.)

KRAUS, G. *Landwirtschaftliche Betriebsverhältnisse in Ostpreussen, 1815-1870.* (Berlin: Parey. 1914. Pp. iii, 81. 1.50 M.)

MALLOCK, W. H. *Social reform, as related to realities and delusions: an examination of the increase and distribution of wealth from 1801 to 1910.* (London: Murray. 1914. Pp. 404. 6s.)

MANN, F. K. *Der Marschall Vauban und die Volkswirtschaftslehre des Absolutismus. Eine Kritik des Merkantilsystems.* (Munich: Duncker & Humblot. 1914. Pp. xvi, 526. 12 M.)

MARTIN, G. *Le tissage du ruban à domicile dans les campagnes du Velay.* (Paris: Sirey. 1913. Pp. iii, 286.)

MENDELSON, M. *Die Entwicklungsrichtungen der deutschen Volkswirtschaft.* (Leipzig: Deichertsche Verlagsbuchh. 1913. Pp. vi, 75. 1.80 M.)

MILL, H. R. *Elementary commercial geography.* New edition. (New York: Putnams. 1914.)

MORLEY, J. *Notes on politics and history.* (New York: Macmillan. 1914. Pp. 201. \$1.)

Expanded from an address delivered at the University of Manchester, this little book is a chain of essays, of extraordinarily varied contents, on the forms and methods and meaning of politics and history. The book is rich in scholarship, and in the fruits of practical political experience, but will disappoint admirers of Lord Morley because of its obvious carelessness of construction and expression.

C. D.

MYERS, G. *History of Canadian wealth.* (Chicago: Kerr. 1914. Pp. vi, 337. \$1.50.)

PERDIGUIER, AGRICOL. *Mémoires d'un compagnon.* Preface by DANIEL HALEVY. (Moulins: Les Cahiers du Centre. 1914. Pp. xxiv, 402. 7.50 fr.)

Written in 1852 and first published in 1854, these memoirs well deserve republication. They recount the life history and the travels of a journeyman carpenter, and give an extraordinarily vivid picture of the social and economic life of France in the period of the Restoration.

C. D.

PROKOPOWITSCH, S. *Ueber die Bedingungen der industriellen Entwicklung Russlands*. (Tübingen: Mohr. 1913. Pp. 88. 3 M.)

QUAIFE, M. M. *Chicago and the old Northwest 1673-1835*. (Chicago: University of Chicago Press. 1913. Pp. 470, illus. \$4.)

Over half of the contents is devoted to a description of Fort Dearborn—its founding, importance, destruction, and fate of the survivors—which is supported by a number of appendices giving the original documents in the case. This is by far the most careful and scholarly part of the volume and may be regarded as definitive on this subject. It is based upon a thorough study of the original sources, manuscript and otherwise, and is deserving of high praise. Less valuable because less original are the chapters prefixed to this part, which deal with the exploration of the region about Chicago, the fur trade, and the struggle with the Indians for the possession of the Northwest. In his first chapter on the Chicago portage it may be noted that the author disagrees with the contentions of the federal government as to the navigability of the Des Plaines River, as raised in the case of *The United States of America v. The Economy Light and Power Company*, now pending in the courts.

For the economist the chapter on The Indian Trade is the one of most interest. In this Dr. Quaife describes the experiment of the federal government in establishing trading houses or factories to supply the wants of the Indians and at the same time free them from foreign influences. This system was begun in 1795 with the establishment of two factories, and supplanted the method of licensing traders, which had been rather spasmodically tried for two decades. The number was increased until in 1812 there were twelve factories in operation, scattered throughout the Northwest; these were supplied with goods purchased out of a capital fund of some \$280,000 appropriated by Congress, which was to be maintained at this point by the profits of the business. The government trading houses seem to have been honestly enough administered, but suffered greatly from the competition of private traders who could extend credit, dispense whisky, and engage in other practices which were forbidden the government agencies. Finally, in 1822, under the urging of Senator Benton, but largely because of the antagonism of Astor's American Fur Company, the entire system was abolished.

E. L. B.

RABOIS-BOUSQUET. *Histoire économique de l'Indre (1800 à 1815). Les premières pépinières de l'Indre*. (The author, 17 rue Vieille-Prison, Châteauroux. 1914. Pp. 24. 0.75 fr.)

REED, C. B. *Masters of the wilderness*. (Chicago: University of Chicago Press. 1914. Pp. 144. \$1.)

The three essays which make up this little volume are "Masters of the Wilderness," a history of the Hudson Bay Company, "The Beaver Club," a study of the fur trade, and "A Dream of Empire," which deals with the adventures of Tonty in old Louisiana. The story of the Hudson Bay Company is particularly well told, with full realization of the dramatic possibilities. From its charter in 1679 there is traced the steady growth of the company, its secret management, its enormous profits, the strict administration, the barter with the Indians, the rivalry with the Northwest Company and their final amalgamation in 1821, and the subsequent development down to the surrender of the charter in 1870. Unlike the East India Company, however, the Hudson Bay Company was bought out by the government on terms very advantageous to itself, receiving \$1,500,000 in cash, a block of land around each post, and one twentieth of all the arable land in the territory over which it relinquished its rights. The historic company now conducts a mail-order house at Winnipeg and secures to its stockholders a princely income from the sale of its lands.

In "The Beaver Club" is recounted the no less dramatic story of the Northwest Fur Company and its struggle with the Hudson Bay Company. The Beaver Club was an organization at Montreal of the leading members in the fur trade, whose bacchanalian excesses never interfered with the successful prosecution of their business or their determined domination of Canadian politics. The efforts of Tonty and of Bienville to establish firmly the dominion of France in America provides the material for the third paper.

While these essays are not provided with the usual scholarly paraphernalia of footnotes and references and are not based entirely upon original sources, they nevertheless constitute reliable history. But, unlike many an erudite historical treatise, they provide a degree of color and of dramatic interest, which, combined with an attractive literary style, makes the volume most enjoyable reading.

E. L. BOGART.

ROGER, R. *La Colombie économique, avec un extrait du code minier colombien et du projet de loi sur l'exploitation des forêts.* (Paris: Tenin. 1914. Pp. 500. 6 fr.)

SALIN, E. *Die wirtschaftliche Entwicklung von Alaska (und Yukon Territory).* Archiv für Sozialwissenschaft und Sozialpolitik, Ergänzungsheft XII. (Tübingen: Mohr. 1914. Pp. viii, 226, map. 5 M.)

SCHELLE, G. *Oeuvres de Turgot et documents le concernant, avec biographie et notes.* Vol. II. *Turgot intendant de Limoges (1761-1767).* (Paris: Alcan. Pp. 719.)

SCHLUETER, H. *Lincoln, labor and slavery: a chapter from the social history of America.* (New York: Socialist Literature Co. 1913. Pp. 237. \$1.)

SCHMIDT, A. *Geschichte des englischen Geldwesens im 17. und 18. Jahrhundert.* (Strassburg: Trübner. 1914. 7 M.)

SIEGFRIED, A. *Democracy in New Zealand.* Translated from the French by E. V. BURNS. (New York: Macmillan. 1914. Pp. 23, 398. \$1.75.)

SNODGRASS, J. H. *Russia. A handbook on commercial and industrial conditions.* Special consular reports, 61. (Washington. 1913. Pp. 255.)

THUYSBAERT, P. *Het land van Waes. Bijdrage tot de geschiedenis der landelijke bevolking in de XIX^e eeuw.* (Courtrai: Vermaut. 1914. Pp. 328.)

VACHER DE LAPOUGE, C. *Necker économiste.* (Paris: Rivière. 1914. Pp. 316.)

VIGNERON, H. *La science et l'industrie en 1913.* (Paris: Geisler. 1913. Pp. 224, 77 diagrams. 5 fr.)

WRONG, G., LANGSTON, H., and WALLACE, W. S., editors. *Review of historical publications relating to Canada. Volume XVIII for the year 1913.* (Toronto: The University of Toronto. 1914. Pp. xiv, 245. \$1.50.)

Pages 146-185 of this useful annual cover the topics of geography, economics, and statistics; the more important publications are summarized and criticised in signed reviews, and others are noticed briefly.

ZIMMERMANN, E. *Was ist uns Zentralafrika?* (Berlin: Mittler. 1914. Pp. 57, illus. 3 M.)

Royal Commission on the natural resources, trade, and legislation of certain portions of His Majesty's Dominions: second interim report. Cd. 7210. (London: Wyman. 1s.)

Relates to Australia and New Zealand.

Agriculture, Mining, Forestry, and Fisheries

NEW BOOKS

COLLINGS, J. *The colonization of rural Britain. A complete scheme for the regeneration of British rural life.* (London: Rural World Pub. Co. 1914. Pp. 607. 10s. 6d.)

GIBSON, A. H. *Natural sources of energy.* Cambridge manuals of science and literature. (New York: Putnams. 1913. Pp. vi, 131. 40c.)

The work of Professor Gibson naturally discusses the extent and distribution of fossil fuels, but is concerned more largely with possible substitutes for these sources of power, such as solar and internal heat, vegetation, wind, water, and tidal power. In general it forms a convenient summary, though the maps abound in glaring

inaccuracies. For example, the oil map (p. 8) shows no deposits at Los Angeles, but has fields distributed through Europe and Asia with indiscriminate regularity. Still worse is the precipitation map (p. 66) which represents California as humid, but Oregon and Washington as arid.

E. V. R.

GREELY, A. W. *Handbook of Alaska; its resources, products and attractions*. New edition. (New York: Scribner. 1914. Pp. 32, 280. \$2.)

HERMES, A. *Zur Kenntnis der argentinischen Landwirtschaft*. (Berlin: Parey. 1913. Pp. viii, 311. 6.50 M.)

"HOME COUNTIES" (J. W. ROBERTSON SCOTT). *The land problem. An impartial survey*. (London: Collins' Clear-Type Press. 1913. Pp. 264. 1s.)

The land problem in the conception of it here set forth is chiefly a problem of the agricultural laborer—a problem of wages and education, as to which relief must be sought in schools of a better type and in the establishment of minimum wages through legislation and trade unions. In justification for the fixed minimum of wages Mr. Scott argues that farmers, being forced to pay higher wages, would endeavor to show more thoughtful economy and better organization. Schools, it is suggested, might be improved by treating the schoolmaster and schoolmistress with the respect shown them in Denmark and Holland, by consolidating the schools of neighboring small parishes, by an effort to teach not merely agriculture but living—through schools of general, not technical, training like those of Denmark which receive young people just under and over twenty.

Most of the plans now fashionable for the improvement of English agriculture are here given, at most, rather cautious approval. It is pointed out that imitation of continental method is frequently impossible because of unlike historical, social, and geographical conditions. Thus butter making for English farmers is not to be recommended when it is more profitable to sell milk in London. The flourishing dairy industry of parts of Holland, again, is due to the fact that excessive moisture in the soil there makes it impossible to raise anything but grass.

Like the more rational of writers in America, Mr. Robertson Scott also sees the limitation of the back-to-the-land agitation in the fact that farming is highly technical and difficult. He shows again admirably that "the magic of ownership" may be less for a man of small means than the practical advantages of tenancy, which leaves his capital free for supplying equipment and himself free to pass from the occupation of a small to a larger holding as he continues to prosper.

A. P. WINSTON.

VON JACKOWSKI, T. *Der Bauernbesitz in der Provinz Posen*. Volkswirtschaftliche und wirtschaftsgeschichtliche Abhandlungen, 7. (Leipzig: Veit. 1914. Pp. viii, 154. 4.50 M.)

LAMOUROUX, L. *Les syndicats agricoles, leur oeuvre coopérative et la mutualité agricole dans le Bourbonnais.* (Paris: Ollier-Henry. 1914. Pp. 184. 4 fr.)

LEA, J. J. *Lea's cotton book, containing a statistical history of the American cotton crop (from 1875-76 to 1912-13, inclusive) with addenda.* (New Orleans: Hauser Prg. Co. 1914. Pp. 124, illus. \$2.)

LENNARD, R. *Economic notes on English agricultural wages.* (New York: Macmillan. 1914.)

MCINNIS, W.; DOWLING, D. B.; and LEACH, W. W., editors. *The coal resources of the world.* Three volumes. (Toronto: Morang. 1913. Pp. civ, 1149; maps, 68 pp. \$25.)

An inquiry made upon the initiative of the executive committee of the Twelfth International Geological Congress, Canada, 1913, with the assistance of geological surveys and mining geologists of different countries.

MOON, F. F. and BROWN, N. C. *Elements of forestry.* (New York: Wiley. 1914.)

PERLMANN, L. *Bewegung der Weizenpreise und ihre Ursachen.* (Munich: Duncker & Humblot. 1914. Pp. 73.)

RAINE, G. E. *Lloyd George and the land.* (London: Allen. 1914. 6d.)

RUSSELL, E. J. *The fertility of the soil.* Cambridge manuals of science and literature. (New York: Putnams. 1914. Pp. 128. 40c.)

Contains the substance of university extension lectures given to persons practically interested in the use of the soil; and includes interesting material on the development of English agriculture.

SCHULZ, A. *Zur Agrartheorie und Politik der deutschen Sozialdemokratie.* (Munich: Steinicke. 1914. 1s.)

SOUCHON, A. *La crise de la main-d'oeuvre agricole en France.* (Paris: Rousseau. 1914. Pp. 554. 12 fr.)

TEN EYCK, A. M. *Wheat; a practical discussion of the raising, marketing, handling and use of the wheat crop, relating largely to the great plains region of the United States and Canada.* (Lincoln, Nebr.: Campbell Soil Culture Pub. Co. 1914. Pp. 194, illus. \$1.50.)

THOMAS, E. H. and DIXON, H. M. *A farm-management survey of three representative areas in Indiana, Illinois, and Iowa.* Department bulletin 41. (Washington: Bureau of Plant Industry. 1914. Pp. 42. 10c.)

TODD, J. A. *The world's cotton crops.* (London: Black. 1914. Illus. 7s. 6d.)

Board of agriculture and fisheries: agricultural statistics, 1912. Part

V. *Colonial and foreign statistics. With index to the whole volume for 1912 (Vol. XLVII).* Cd. 7271. (London: Wyman. 1914. 7s. 6d.)

Mr. Rew's report, which introduces this volume, compares the productivity of the principal European countries and investigates how far the world's agriculture is meeting the increased demand for its products.

The Labour party and the agricultural problem. With reports of visits to Ireland and Denmark. (London: The Labour Party. 1914. 3d.)

The land. Report of the land enquiry committee. Vol. II. Urban. (London: Hodder & Stoughton. 1914. Pp. 760. 1s.)

Memorandum and statistical tables showing the production and consumption of iron ore and pig iron, and the production of steel in the United Kingdom and the principal foreign countries in recent years, and the imports and exports of certain classes of iron and steel manufactures. In continuation of Parliamentary Paper No. 402 of 1912-13. H. of C. 284. (London: Wyman. 1914. 7d.)

Report of the Scottish departmental committee on the North Sea fishing industry. Part I. Cd. 7221. (London: Wyman. 1914. 3s. 1d.)

United States vacant lands, located by states, territories, districts and counties, with brief description by counties. How to secure lands by homestead entry and purchase. Revised for 1914. United States system of surveys review and purchase. Irrigation projects finished, under way and contemplated. (St. Paul, Minn.: Webb Pub. Co. 1914. Pp. 106. 25c.)

Le marché des céréales d'Anvers. Publications du Bureau de la Statistique Générale, 2. (Rome: Institute International d'Agriculture. 1913. Pp. vi, 64.)

Die deutsche Landwirtschaft. (Berlin: Puttkammer & Muhlbrecht. 1913. Pp. 279. 1.50 M.)

Aims to present a complete though condensed statistical survey of German agriculture.

Manufacturing Industries

The Cutlery Trades. By G. I. H. LLOYD. (New York: Longmans, Green and Company. 1913. Pp. xvi, 493, illus. \$3.50.)

The purpose of this work is to trace the evolution of the cutlery industry in Sheffield. In the introductory chapter the various stages in industrial evolution, as illustrated by other industries, are outlined. But the plan thus proposed for the investigation of the history of the Sheffield industry is not completely followed

out. An account is given of the establishment and localization of the industry and of the gradual differentiation of trades. For the handicraft period, attention is directed mainly to the development of the gild, the Cutlers' Company, which was dominant during the greater part of the seventeenth and eighteenth centuries, and to its eventual loss of power through the usurpation of control by a small and unrepresentative group of masters and through the breaking down of the rules regulating the admission of apprentices. But, despite casual references, it is not shown how, when, nor why the change from the handicraft to the domestic system occurred, nor is the rise of the domestic system considered as a possible cause for the weakening of the gild.

The transition from the domestic to the factory system, which is now taking place, is carefully analyzed, and the reasons for the long persistence of small-scale production are explained. The domestic system is still so important in Sheffield that this is a good opportunity to observe, uninfluenced by ideas of an idyllic past, the relative social advantages of the domestic and factory systems. Professor Lloyd, from his study of wages and conditions of employment, concludes that "On the whole, the condition of the man employed on his master's premises is uniformly superior to that of the outworker." At all points the author shows thorough familiarity with the technical processes and appreciates their economic significance.

Labor combinations, as shown by this study, appeared in Sheffield from time to time during the eighteenth century; and in the early nineteenth century the trade-union movement was strong. But during the last forty years the cutlery workers' unions, failing to consolidate or to federate, have constantly lost ground. This has also been due in part to the changes in the methods of production.

Aside from the sections dealing with the French and German cutlery industries, the last three chapters do not compare favorably with those which have preceded. They are far less comprehensive and detailed. Some interesting statistics of the export trade are given, but there is very little about actual marketing methods. The comparisons with other industries and with the general development of the factory system abroad are brief and incomplete. Although the final conclusion that "the Industrial Revolution must be regarded as a product of the nineteenth century" is hardly accurate, Professor Lloyd's researches emphasize

the fact that the Industrial Revolution has in numerous industries progressed slowly and is not yet complete.

MELVIN T. COPELAND,

Harvard University.

NEW BOOKS

JUDGE, A. I., editor. *A history of the canning industry.* (Baltimore: The Canning Trade. 1914. Pp. 162.)

KEMPKENS, D. H. J. *Die Ruhrhäfen, ihre Industrie und ihr Handel.* (Bonn: Marcus & Webers. 1914. 5.60 M.)

LEPSIUS, B. *Deutschlands chemische Industrie 1888-1913.* (Berlin: Stilke. 1914. Pp. 107. 1.50 M.)

Proceedings of the twenty-seventh annual convention of the United Typothetae and Franklin Clubs of America. (S. Evans Clark, secretary, Chicago. 1913. Pp. 250.)

Production and use of denatured alcohol in principal countries. Special agents series, 77. (Washington: Department of Commerce. 1914. Pp. 32.)

Transportation and Communication

British Railways, a Financial and Commercial Survey. By W. R. LAWSON. (New York: D. Van Nostrand Co. 1914. Pp. xxxii, 320. \$2.00.)

As chairman of the Railway Shareholders' Association, Mr. Lawson has an intimate knowledge of his subject, which he presents in a lively and interesting way. The book is divided into twenty-seven chapters grouped in six divisions, financial, historical, technical, commercial, administrative, and political. The financial treatment consists of an analysis of the cost of construction and the operations of railways as measured by passenger, tonnage, and train-mile statistics, followed by discussions of gross and net revenues, and of the nature of British railway accounts and statistics. The historical part gives most attention to pre-railway and early railway conditions, but includes chapters on electric railways and London traffic. The technical part considers various matters in connection with the goods and passenger services, a great deal of emphasis being laid, by way of criticism, upon the system of collecting and delivering goods and the confusion of passenger rates.

In the commercial section, Mr. Lawson discusses rate theory and practice, with especial attention to exceptional rates and services,

competitive and long and short haul rates. Under administration he reviews the railway directorate as to its composition, and then the executive and working staffs. Mr. Lawson deprecates the "side shows" so characteristic of English railways, such as railway hotels, harbors and docks, engine and carbuilding works. He criticises vigorously the anomalous position of the passenger staff. He believes the position of the working forces is a favored one; but that labor's attitude toward the railway management is selfish and, in a measure, hostile.

Finally, under political relations, the author lays stress upon the present "deadlock" between traders and trade unions; railways have little power left to adapt themselves to circumstances. He discusses the burden of taxes imposed by the local rating authorities and the opposition of the local councils to railway improvement schemes; and devotes the last two chapters to state control and nationalization. Not looking forward with any enthusiasm to state management, Mr. Lawson does not seem to be alarmed by the prospect of it; though if it comes he insists that it must be carried on by an autonomous department.

The book is a frank exposition of British railway problems from the point of view of the railway shareholder. Ranging as it does over so many topics, its discussion of any individual one is necessarily of a limited and, in places, somewhat superficial character. There are inaccuracies as well as loose or incomplete statements that amount to inaccuracies, so far as the impression that they leave on the mind of the reader is concerned. Emphasis is laid upon the fact that goods trains carry only $3\frac{1}{3}$ tons per train-mile, but the author fails to point out to the reader that this does not represent average train loading; 600 tons carried by a train over a distance of 180 miles would produce exactly this average. In another place he speaks of American special rates for 5-ton lots and train-load lots. American carload rates are based upon minimum carload weights, usually varying from 20,000 to 30,000 lbs., though some run higher, and train-load rates are unknown. The statements with reference to demurrage and reconsignment practices in America are highly misleading; also the assertion that the industrial sidings put up by American factories and warehouses enable them to escape terminal charges. The same rate per 100 lbs. applies whether the shipper unloads on the team track or on his own siding. The Interstate Commerce Commission would hardly be satisfied to have itself represented as

asking that the rate-making power be handed over to it. In another place the author quotes, without demur, a statement implying that American railways must have all of their rates passed on by the Interstate Commerce Commission before change is made. All changes have to be filed with the commission, but not passed upon, surely.

Mr. Lawson's idea of the scope of the work of the American express companies is more than a trifle vague. He would have us understand that all of the parcel traffic and, indeed, to a large extent, the heavy traffic is in the hands of the express companies, whose financial obligation to the railways is in the form of a car-mileage charge (!) Occasionally, in dealing with home matters, the author is found tripping. It is news to learn that the Liverpool and Manchester Railway was opened in 1826. It is surprising to have Mr. Ackworth held up as an exponent of the cost-of-service theory.

ERNEST RITSON DEWSNUP,

University of Illinois.

NEW BOOKS

- CHANDLER, W. H. *The express service and rates.* (Chicago: LaSalle Extension University. 1914. Pp. 340.)
- CHANDLER, W. H. *Merchants' parcel post and express guide.* (New York: The author, 233 Broadway. Pp. 310. \$3.50.)
- COLSON, M. *Railway rates and traffic.* Translated from the French. (London: Bell. 1914.)
- ENOCH, C. R. *The Panama canal.* (London: Collins. 1914.)
- GUCKENMUSZ, F. *Die Unterstützung der französischen Handelsmarine durch Prämien.* (Hamburg: L. Friederichsen & Co. 1914. Pp. iv, 233.)
- KENNA, E. D. *Railway misrule.* (New York: Duffield. 1914. Pp. xii, 163. \$1.25.)
- KILLIK, S. H. M. *Manual of Argentine railways for 1914.* (London: Effingham Wilson. 2s. 6d.)
- KIRKALDY, A. W. *British shipping, its history, organization and improvements.* (London: Kegan Paul. 1914. 6s.)
- KLEEMANN, K. *Die Sozialpolitik der Reichs- Post- und Telegraphenverwaltung gegenüber ihren Beamten, Unterbeamten und Arbeitern.* Abhandlungen des staatswissenschaftlichen Seminars zu Jena, XIV, 1. (Jena: Fischer. 1914. Pp. vi, 253. 6 M.)
- VON DER LEYEN, A. *Die Eisenbahnpolitik des Fürsten Bismarck.* (Berlin: Springer. 1914. Pp. xii, 256. 6 M.)

MUNDY, F. W. *The earning power of railroads, 1914.* (New York: Oliphant. 1914. Pp. 514.)

OWEN, D. *Ocean trade and shipping.* (New York: Putnams. 1914. Pp. ix, 277.)
To be reviewed.

REEDER, R. P. *The validity of rate regulations, state and federal.* (Philadelphia: J. W. Johnson. 1914. Pp. 15, 440. \$5.)

RENAUD, T. *Die Entwicklung des Eisenbahnwesens in Preussen seit dem Jahre 1888.* (Berlin: Stilke. 1914. 2 M.)

ROCHELEAU, W. F. *Great American industries.* Fourth book. *Transportation.* New edition. (Chicago: Flanagan. 1914. Pp. 275. 60c.)

STEEL, W. L. *The history of the London and North-Western Railway.* (London: The Railway and Travel Monthly. 1914. 7s. 6d.)

VAN METRE, T. W. *An outline of the development of the internal commerce of the United States, 1789-1900.* (Baltimore: Williams & Wilkins. 1914. Pp. 30.)

UHlich, T. *Die Vorgeschichte des sächsischen Eisenbahnwesens.* Abhandlungen aus dem volkswirtschaftlichen Seminar der Technischen Hochschule zu Dresden, 6. (Leipzig: Duncker & Humblot. 1914. Pp. viii, 107. 3 M.)

Record of American and foreign shipping. (New York: American Bureau of Shipping. 1914. Pp. 984. \$15.)

State purchase of British railways. The price to be paid. (London: Boswell Pub. Co. 1914. 6d.)

Die Entwicklung der städtischen Strassenbahnen im 10-jährigen Eigenbetriebe der Gemeinde Wien. (Vienna: Gerlach & Wiedling. 1913. Pp. 154. 4 M.)

Trade, Commerce, and Commercial Crises

Les Crises Industrielles en Angleterre. By MICHEL TOUGAN-BARANOWSKY. (Paris: M. Giard & E. Brière. 1913. Pp. vii, 476. 12 fr.)

This is a new edition of the work already familiar to economists from the German edition of 1901. It is not necessary to enter into detail as to the changes between the two editions. A new chapter is added, bringing the actual history of crises down to date. The work is now divided into three parts instead of two, covering respectively the history of crises in England, the theory of crises, and the social effects of crises. It is of interest at the moment to

American readers owing to the appearance of the extended and admirable work of Wesley C. Mitchell. In the thirteen different theories of crises given by Mr. Mitchell he did not see fit to include the theory of Tougan-Baranowsky, although he refers to him in another part of his work in connection with a statement of fact. Possibly Mr. Mitchell felt that the theory advanced by this distinguished Russian writer was sufficiently covered under his reference to socialistic theories, but Tougan-Baranowsky has had a considerable following on the continent in his consideration of this problem and, although unquestionably the influence of Marx is to be everywhere seen, he is independent and has extended the consideration farther than was ever done by Marx. In this connection it is interesting to note that the Russian writer puts his chief emphasis, as does Mr. Mitchell, on the demand for goods used by the manufacturer, such as machinery and building materials, in determining the course of trade cycles, which he considers essential phenomena of the capitalistic system.

In his theoretical section he has added a chapter on the theory of markets as an introduction to his theory of industrial cycles. In this he discusses in an interesting way the conflicting views of the classical school and of Sismondi. The former held that since in the long run goods constitute a demand for goods, general overproduction is impossible. Sismondi made the contrast between the production of goods and the possibility of social consumption under a given system of distribution. In other words, the market for the capitalistic producer is determined by the social revenue, which does not keep pace with the capacities for social production. Obviously the writer here must mean social revenue in the sense of revenue devoted to purposes of direct consumption. This latter view is also, as he points out, the view of the present Marxian school. As between the two, he gives greater credit to the theory of Sismondi, but he thinks that both are wrong in starting out with the idea that an equilibrium between supply and demand in the national economy necessarily means an equilibrium between the production of wealth and the consumption of wealth.

He then goes on to develop his theory of the accumulation of capital through the increase of goods devoted to further production. The essential feature is not, as the classical school would suppose, an advance of subsistence to the laborers nor (Sismondi) a failure of demand for goods produced, but is to be found in the transformation of the character of capital, which takes on more and more the form of goods for further production. Thus

direct consumption can actually diminish while an equilibrium of general supply and demand remains. In this new edition he attempts to develop this in a schematic form, showing how through this transformation productive goods continually increase. This method seems an unfortunate addition. He says that to state the proposition in language would be difficult. The schematic form, however, smacks too much of that method of Marx which so often gives a false impression of mathematical exactitude.

This accumulation of productive capital comes to a point where a crisis is inevitable unless there is a proportional redistribution of the social product. At this conclusion of his theory of markets we find him arriving at a position which is distinctly vague and, if it means what it appears to, it is not new. At the outset it would seem to be a combination of Marx and Mitchell, and the conclusion could be better stated in the language of Hobson and Robertson. Despite his insistence that the problem is one of the accumulation of capital goods and not of money and credit conditions, he works the problem out in terms of the supply of credit capital. During periods of stagnation this credit capital accumulates and then at some indefinite moment, not specified, "the resistance of industry is conquered" and loanable funds are transformed into productive capital. This new upward movement leads to large demand for productive goods, until the loanable funds are again exhausted and reaction again sets in. Fundamentally, the reason for the credit situation comes back, however, to a vague lack of proportionality between the different branches of production.

It is impossible here to enter into a discussion of the influence of these cycles on such problems as depression, unemployment, and the like. It is interesting to note, however, that in his final conclusion, although he does not come to the extreme view of a necessary cataclysm according to the strict Marxian theory, he does believe that these recurring depressions are an essential part of capitalism and under the capitalistic system will become increasingly severe rather than otherwise. The problem will only disappear when the capitalistic order is transformed into a "harmonious economic order" in which the interests of each will be subordinated to the interests of all. Indefinite as all this is as to the future, it distinctly means that there will be no solution of the problem of industrial depressions until the capitalistic system of industry is entirely supplanted by something else. Despite the vagueness of its conclusions, however, the book contains a mass of historical and

descriptive studies which cannot fail to be of value to students of this problem.

HENRY C. EMERY.

Yale University.

NEW BOOKS

- COSOIU, M. N. *Die belgische Handelspolitik der letzten 40 Jahre.* Munchener volkswirtschaftliche Studien, 128. (Stuttgart: Cotta. 1914. Pp. xii, 80. 3.50 M.)
- MUSGRAVE, C. E. *The London Chamber of Commerce from 1881 to 1914. A retrospective appreciation.* (London: Effingham Wilson. 1914. Pp. viii, 93. 2s. 6d.)
- PINNER, W. *Der Getreideterminhandel in Deutschland vor und seit der Reichsbörsengesetzgebung.* (Berlin: Springer. 1914. Pp. vi, 90. 2.80 M.)

Accounting, Business Methods, Investments, and the Exchanges

Cost Reports for Executives as a Means of Plant Control. By BENJAMIN A. FRANKLIN. (New York: The Engineering Magazine Company. 1913. Pp. 149. \$5.00.)

The title of the book accurately suggests its contents. The author has endeavored with a commendable degree of success to write a book that, while sketching in clear outline the features essential to every adequate cost system, brings a message to the responsible manager of a business, and shows, in language free from unnecessary technicalities and illustrated by a number of forms, the place of a cost system in a well-planned business organization and the practical results that can be obtained by its intelligent use.

Emphasis is laid upon the principle that costs must be a part of the accounting system and that the totals derived from the cost accounts must be in agreement with the corresponding figures in the financial books. To one not acquainted with the literature on cost accounting this might seem like emphasizing the obvious, but in view of the much careless thinking that has found its way into print it is well to lay stress on a fact so essential.

Separate chapters are devoted to such subjects as the philosophy of costs, economic consideration of material by costs, labor from cost viewpoint, vexing question of expense, statistics as an aid, cost system, and the basic improvement. In these chapters

will be found a discussion of the more important questions arising in connection with the operation of a cost system that has been successfully installed; and, while no attempt can here be made to even summarize their contents, attention may be called briefly to a few of the points.

All costs may be resolved into three elements—material, labor, and expense. The first and third are important because of their relatively large bulk and the danger of waste and loss inherent in each. Both are, however, inanimate, while an ever growing human interest centers in labor. Here too is found danger of waste; but while a cost system can be made equally effective in controlling and checking such wastes, it can also record and report the efficiency of labor. If the labor question is ever to approach an equitable solution, the executive management of every business must first of all know the facts regarding labor performance and costs in its own organization, and, so far as is practicable, allow these facts to be frankly known to the workers. The day is passing when business can be done in a corner; we are becoming accustomed to publicity of corporation accounts, and business does not appear to have suffered thereby. Perhaps it will soon be equally common for manufacturers to furnish to their workers accurate statements of significant facts relating to their contribution to the enterprise.

Comparison of costs and other results within an organization is useful and often essential to success. A similar comparison between different organizations will no doubt be of increasing value in tariff, public regulation, and other matters. In this connection it must be remembered that accounting records are inanimate and must be viewed with some skill of imagination if their most useful function is to be realized. Mr. Franklin makes it clear that the mere compilation of cost records is of little value unless they are the subject of intelligent and sympathetic study by the executive organization.

The book is not free from minor faults, such as the use of the terms "Accounts Received" and "Bills Received," on Form 1 opposite page 44, instead of "Receivable" in both instances. It is also something of a contradiction to read on page 42 reasons that appear, as they are evidently intended, to prove conclusively that costs should be a part of the bookkeeping system and then to find on page 139 that "the cost system takes hold where accounting

leaves off." The book is interestingly written, suggestive rather than dogmatic in style, and its conclusions are clearly based upon careful observations covering a wide experience.

J. E. STERRETT.

NEW BOOKS

- BEIGEL, R. *Lehrbuch der Buchführungs- und Bilanzrevision*. (Dresden: Kühtmann. 1914. 9.50 M.)
- BLACK, H. C. *A treatise on the law and practice of bankruptcy, under the act of Congress of 1898*. (Kansas City, Mo.: Vernon Law Bk. Co. 1914. Pp. xxv, 1852. \$9.)
- BRENISER, R. D. *The schemes back of the ads. Light on the real methods of advertisers*. (Philadelphia: R. D. Breniser. 1914. Pp. 36. \$1.)
- BROMLEY, G. W. *Owners of real estate, borough of Manhattan, city of New York*. (New York: G. W. Bromley & Co. 1914. Pp. 740. \$75.)
- BUNTING, H. S. *The elementary laws of advertising and how to use them*. (Chicago: Novelty News Press. 1913. Pp. 188. \$2.)
- CAMPBELL, D. *The law of stockbrokers, with reference to transactions for customers on the New York stock exchange*. (New York: Baker, Voorhis & Co. 1914. Pp. xvi, 114. \$1.50.)
- CLIFFORD, W. G. *Building your business by mail; a compilation of successful direct advertising campaigns drawn from the experience records of three hundred and sixty-one firms, representing every line of business*. (Chicago: Business Research Pub. Co. 1914. Pp. 448. \$2.)
- COLINET, C. *Les bourses de valeurs mobilières en Belgique. Situation actuelle et projets de réformes*. (Brussels: Pierre van Fleteren. 1913. Pp. viii, 363. 4 fr.)
- DIEMER, H. *Factory organization and administration*. Second edition, enlarged. (New York: McGraw-Hill. 1914. Pp. xv, 378. \$3.)
- DOOLEY, W. H. *Textiles for commercial, industrial, and domestic arts schools; also adapted to those engaged in wholesale and retail dry goods, wool, cotton, and dressmaker's trades*. (Boston: Heath. 1914. Pp. xii, 329. \$1.)
- EDWARDS, H. M. *Electric light accounts and their significance*. (New York: McGraw-Hill. 1914. Pp. 172. \$2.)
- ELBOURNE, E. T. *Factory administration and accounts*. (New York: Longmans. 1914. \$7.50.)
- EMERSON, H. *Col. J. M. Schoonmaker and the Pittsburgh & Lake*

- Erie railroad; a study of personality and ideals.* (New York: Engineering Mag. 1913. Pp. vii, 152.)
- ESCHER, F. *Practical investing.* (New York: Bankers Pub. Co. 1914. Pp. 177. \$1.50.)
- FICKETT, R. S. *The corporation secretary.* (Boston: Corporation Service Co. 1914. 3 vols. \$7.50.)
- FRANKLIN, B. A. *Cost reports for executives.* (New York: Engineering Magazine Co. 1914.)
- GILBRETH, L. M. *The psychology of management.* (New York: Sturgis & Walton. 1914. Pp. 344. \$2.)
- GOLDMAN, S. P. *A handbook of stock exchange laws.* (New York: Doubleday, Page & Co. 1914. \$1.50.)
- HOLLINGWORTH, H. L. *Advertising and selling.* (New York: Appleton. 1914. \$2.)
- JONES, A. F. *Lumber manufacturing accounts.* (New York: Roland Press. Pp. 112. \$2.)
- LADD, C. E. *A system of farm cost accounting.* Farmers' Bulletin 572. (Washington: Dept. of Agriculture. 1914. Pp. 15.)
- LYON, T. B. *How to sell bonds.* (Richmond, Va.: Beyer & Co. 1914. Pp. 45.)
- MEAD, E. S. *The careful investor.* (Philadelphia: Lippincott. 1914.)
- MACDONALD, J. A. *Successful retail advertising.* Revised edition of *Successful advertising, how to accomplish.* (Chicago: Dry Goods Reporter Co. 1914. Pp. 464.)
- MACGREGOR, T. D. *Bank advertising plans.* (New York: Bankers' Pub. Co. 1913. Pp. 200. \$2.50.)
- MATHESON, E. *Depreciation of factories, mines, and industrial undertakings, and their valuation.* Fourth edition, revised and enlarged. (New York: Spon & Chamberlain. 1914. Pp. xii, 230. \$4.)
- MOODY, J. *Moody's analyses of investments.* Part II. *Public utilities and industrials.* Fifth year, 1914. (New York: Analyses Pub. Co. 1913. Pp. 950. \$15.)
- NICHOLS, F. G. and ROGERS, R. E. *Teacher's handbook to accompany a short course in commercial law.* (New York: American Book Co. 1914. Pp. 96. 25c.)
- RACINE, S. F. *Graded corporation problems.* (Seattle, Wash.: Western Institute of Accountancy, Commerce and Finance. 1914. \$1.25.)

Some fifty odd problems dealing with corporation accounting have been selected by the author from among those set at various

C.P.A. examinations and are presented in a paper-covered volume with three ruled pages inserted after each problem for the solution. No claim is made for originality of the material but the problems have been selected with care and judgment and the book will no doubt prove useful in the class room and in teaching by correspondence.

J. E. STERRETT.

RACINE, S. F. *Guide to the study of auditing.* (Seattle, Wash.: Western Institute of Accountancy, Commerce and Finance. 1914. Pp. 63. \$1.)

Contains 594 questions on the 33 chapters of Montgomery's *Auditing, Theory and Practice*, to which has been added four pages of questions in auditing from recent New York C.P.A. examinations. It covers in a comprehensive manner the work to which it relates and while it may serve a useful purpose in the class room (and this is the evident intent of the author) its contents are devoid of any broader interest.

J. E. STERRETT.

ROCHE, R. A. B. *Salesmanship for women.* Second edition. (New York: Roland Press. 1914. Pp. 137. \$1.)

SAINT-MAURICE. *Les instruments modernes de la politique étrangère. Les emprunts d'état. Bilan économique et financier de l'Italie, l'Espagne, le Portugal et des nations de l'Amérique latine.* (Paris: Bibliothèque des Etudes Economiques. 1914. Pp. 410. 16 fr.)

SEASHORE, C. E. *Psychology in daily life.* (New York: Appleton. 1914. \$1.50.)

SELDEN, G. C. *Investing for profit.* (New York: Magazine of Wall St. 1914. \$1.)

VAN TUYL, G. H. *Key to essentials of business arithmetic.* (New York: American Book Co. 1914. Pp. 63. 25c.)

WEST, T. D. *The efficient man.* (Cleveland, O.: Gardner Prtg. Co. 1914. Pp. 330. \$2.)

WHEELER, J. F. *The stock exchange.* (New York: Dodge. 1914. 20c.)

WIESKE, G. *Organisationsgesetze der Buchhaltung in Theorie und Praxis.* (Berlin: Puttkammer & Mühlbrecht. 1914. 3.60 M.)

Foreign publications for advertising American goods; advertising rates, circulation, subscription price, etc. Miscellaneous series, no. 10. (Washington: Dept. of Commerce. 1913. Pp. 236.)

Proceedings of the twenty-seventh annual convention of the United Typothetae and Franklin Clubs of America. (Chicago: S. Evans Clark, secretary. 1913. Pp. 250.)

Includes "A demonstration of cost and accounting systems," by W. O. Foote, and "Scientific management," by H. P. Kendall.

Capital and Capitalistic Organization

Business Organization and Combination. By LEWIS H. HANEY.
(New York: The Macmillan Company. 1913. Pp. xiv,
483. \$2.00.)

This book is an exceptionally fine description and analysis of the principal forms of business organization and their relations to social life and public policy. The author discusses the nature, extent, advantages and disadvantages of such business units as the individual entrepreneur, partnership, joint-stock company, and the corporation. Combinations of these forms for the purpose of controlling price or successive stages of production are similarly treated from simple price agreements to complete consolidations (mergers and amalgamations). The structure of a typical business corporation and the processes of promotion, underwriting, marketing of securities, reorganization, and receivership are described and analyzed. The author's treatment of the corporation and trust problems, with which the book closes, is intimately related to this analysis.

An important truth emphasized in this book, but too often lost sight of, is the fact that the corporation problem is intimately wrapped up in the "trust problem." The corporation should not be a sort of disguise which may be put on to shun social responsibilities. To remedy the evils growing out of this evasion of social obligations several provisions are enumerated, among which are the simplification of securities, the requirement that officers and directors hold sufficient stock to insure a reasonable interest in the business and that certain limitations be placed upon their power to transfer this stock, more adequate reports to stockholders, and considerable curtailment of the power of proxies. In authorizing consolidations the merger or amalgamation should be favored over the holding company, which lends itself too readily to undemocratic control.

The author recognizes that competition as a regulator of prices has its limitations. There is a large group of industries in which competition cannot normally exist, the so-called "natural monopolies"; and for them some plan of regulation with reference to services, prices, and methods of accounting should be devised similar to that being worked out in various states for public service corporations. In other fields competition should be preserved, but should be reasonable, ethical, and economical. Devices

which abridge legitimate competition, like terrorism and local underselling, should be prohibited and penalized. Subject to certain limitations, agreements to coöperate in the matter of selling may be authorized, especially in industries where legitimate competition tends to become excessive or cut-throat.

Most writers in treating business organizations have limited their field to certain industries or to particular phases of what is commonly known as the "trust problem." Such matters as the financing of corporations, the influence of combinations on prices, the question of the industrial efficiency of large consolidations, destructive or unfair competition, have all engaged the attention of numerous writers. An analysis of the forms of business organization and of the problems intrinsic in these forms themselves represents a departure from the usual method of treatment and is an important contribution to the study of the subject.

ABRAHAM BERGLUND,

University of Washington.

Regulation of Public Service Companies in Great Britain. By ROBERT H. WHITTEN. (New York: State of New York Public Service Commission for the First District. 1914. Pp. 231.)

Mr. Whitten's report shows the same high grade of work as his book, *Valuation of Public Service Corporations* (cf. REVIEW, vol. III, p. 377). It is careful, exhaustive, and clear; and preserves throughout the evenly balanced judicial attitude which characterizes all of his work. Mr. Whitten makes some comment on the conservatism of the English people. While this conservatism no doubt still applies to such matters as he is dealing with, those who are following the trend of British legislation will probably have their doubts as to how long a conservative policy in the treatment of public utilities will last.

Chapter 1 of the report outlines the powers and practice of Parliament and the Board of Trade in dealing with public service corporations. The next two chapters give an account of the methods and limitations under which capital is procured and show the very interesting provisions under the British system for attempting to preserve competition of capital while at the same time avoiding the economic waste of competition by duplication of plant and ruinous rate wars. Chapter 3, *Sales of Shares at*

Public Auction, is especially worthy of study from this point of view. Chapter 4 discusses the methods in use for preventing the growth of "controlling interests" by regulated scale of voting. These provisions are not unknown in this country; some of our older railroads, but not the larger ones, provide in their charters for this practice. Chapters 5 and 6 show the careful manner in which accounting is supervised in Great Britain.

Chapters 7-12 are devoted to different plans in use in Great Britain for establishing dividends and rates. Probably the most interesting condition of utility regulation in Great Britain as compared with regulation in the United States is that the British system tends to regulate dividends and profits directly and rates indirectly through the dividends, while in the United States our public service commissions tend to regulate rates directly and dividends indirectly through rates. With the sliding scale as established for some British gas companies, if dividends go up rates must come down. This leaves a considerable field for the exercise of good management accruing to the benefit of the companies. Under the sliding scale system this incentive for good management is recognized and is a stable element in the regulation. In the United States where rates are regulated directly, but supposedly based upon a calculated rate of return, the incentive for good management remains only in the fact that the rates may not result in the rate of return attempted to be established and in the fact that rates are regulated only at intervals. It is evident that the American method is much less stable than that established in Great Britain.

In chapters 12 and 13 Mr. Whitten gives an account of the application of British methods in America as shown in the Boston sliding scale plan and in the Toronto auction sale and maximum dividend system. In chapter 14 he ably discusses the advantages of Direct Profit Regulation over Rate Regulation. Under the subheading, Disadvantages of Rate Regulation Method, can be found much food for serious thought. It should be remembered, however, that regulation of returns in this country, or in any other, cannot be fair until fair methods of valuation are established. At present we are in chaos as to theories and methods of establishing the capital entitled to returns, and are in a not much better state as to the determination of reasonable rates of return.

JAMES E. ALLISON.

St Louis.

The Tendency towards Industrial Combination. By GEORGE R. CARTER. Studies in Economics and Political Science, No. 31. (London: Constable and Company, Ltd. 1913. Pp. xxiii, 391. 6s.)

The Story of Trusts. By M. E. HIRST. (London: Collins' Clear-Type Press, 1913. Pp. 264. 1s.)

The great mass of descriptive material which has been accumulated during recent years concerning the combination movement has been in need of more thorough and careful analysis; and this Mr. Carter has done in competent and scholarly fashion. The structure and plan of his book are excellent. Combinations are first classified as vertical and horizontal. Mr. Carter shows that the former is a distinct type, and is the peculiar characteristic of the iron and steel industry. This is due to three sets of circumstances, which he terms market, process, and producing conditions, each of which is analyzed and profusely illustrated. The horizontal type is divided into three classes: temporary, hybrid (a permanent distributing agency, similar to the German cartel), and permanent. The form taken in any particular industry is due to external and internal influences, some of which are general, and others specific. After exhaustive illustrations, the conclusion is reached that the temporary and hybrid types are inherently weak, and that permanent amalgamation is the form of industry of the future.

The general conclusions reached are that combinations are a normal development in England, that they tend to embrace all large industry, and that, within certain well-defined limits, which depend on external conditions, they have a tendency to become monopolistic. As by "normal" is meant "the influence of which is likely to continue" (p. 347), this conclusion is open to question, and appears to the reviewer to be in need of further classification.

The chief merit of the book is that it shows the necessity of classification and differentiation in the study of the combination movement. The reviewer is heartily in accord with the opinion (p. 374):

The problem of investigating the development of the tendency towards industrial combination, its causes and determinant circumstances, . . . calls for the fullest inquiry and discrimination, particularly as regards its varied character and the conditions of the various spheres within which it arises, rather than for general repression and condemnation.

It is unfortunate that the style of the book is marred by re-

dundancy of expression and needless repetition, for Mr. Carter's work is of signal interest to all students of the development of combinations, especially so with reference to the movement in England.

The Story of Trusts is a short, popular account of the development of the trust movement in the United States, Germany, and England, with chapters on the relation of the trusts and the tariff, and on the causes of the unpopularity of the trusts. The statement in the introduction that "the story of trusts is complete in itself" can hardly be taken seriously. The book is written without prejudice, but it does not bear the marks of a thorough work. For example in the chapter on the Standard Oil Company, reference is made only to the books by Miss Tarbell and Mr. Montague. Why the researches of the Bureau of Corporations and the mass of evidence taken in the recent government suit should have been neglected, is not clear.

O. W. KNAUTH.

Princeton University.

La Concentration Capitaliste en France. By COMPERE-MOREL. Les Documents du Socialisme, XI. (Paris: Marcel Rivière et Cie. 1913. Pp. 46. 0.75 fr.)

The first section of this little work, "La Puissance de Capital" is a brief declaration to the effect that the socialistic doctrine is entirely in accord with an economic tendency—a tendency toward an increasing concentration in industry, in commerce, in agriculture, and in finance. To prove this increasing concentration, at least so far as France is concerned, four sections are then devoted to summarizing the statistical evidence of it, one section being given to each of the four classes of activity mentioned. The figures of industry are tabulated upon a similar basis and show results in regard to concentration similar to the figures in the United States census of manufactures of 1905. In the next section a table shows that the larger commercial establishments (size being estimated by the number of workers employed) are increasing at a relatively more rapid rate than the smaller ones. On the other hand, in the case of agriculture, the figures, based upon the number of persons employed per farm, fail to show concentration to be on the increase; they show that there has been a pronounced increase in the number of farms or establishments employing a

few persons and an almost equally pronounced decrease in the number employing relatively many persons. Admitting the failure of these figures to prove his point, the author resorts to the figures of proprietorship. By this method he is able to show an absolute decrease in proprietorships under 10 hectares of from 4,852,963, in 1892, to 4,611,564, in 1908.

In the same sixteen years, farms of 10 hectares or more increased from 849,789 to 893,900. An analysis of these figures and also others, however, shows the following percentages:

<i>Size of Farm</i>	<i>Increase or Decrease Per cent</i>
Under 1 hectare	— 6.6
1-10 hectares	— 3.5
10-40 hectares	+ 4.0
40-100 hectares	+ 12.0
Over 100 hectares	— 11.4

It appears, therefore, that the argument for increasing concentration in the last sixteen years is not a strong one since the two increases may be due as well to the decline in farms of over 100 hectares as to the decrease in farms of under 10 hectares.

An attempt is made to prove concentration in money fortunes in France by dividing inheritances into thirteen classes according to size, and tabulating the number of inheritances in each class together with their totals, for each year from 1903 to 1911. Aside from the fact that the period is too short to form an adequate judgment, the absolute figures are like all absolute figures, worth but little statistically. Only by showing the average declines and increases could statistical proof of the concentration of wealth be adduced. No such averages have been made. In conclusion, therefore, I think it may be said that the author has clearly failed to prove increasing concentration in France except in industrial and commercial enterprises.

WILLIAM S. STEVENS.

Columbia University.

NEW BOOKS

CANFIELD, G. F. *Cases and statutes on trusts and powers, perpetuities, accumulations and charitable uses in New York.* (New York: Baker, Voorhis & Co. 1914. Pp. xx, 868. \$6.)

DEWING, A. S. *Corporate promotions and reorganizations.* Harvard economic studies, vol. X. (Cambridge: Harvard University Press. 1914. Pp. vii, 615.)

To be reviewed.

- DOS PASSOS, J. R. *Legislation vs. capital and labor; the federal anti-trust law.* (Chicago: Donnelly & Sons Co. 1914. Pp. 10.)
- DYER, I. W. *Maine corporation law.* Eighth edition. (Portland: Loring, Short & Harmon. 1913. Pp. xxi, 288. \$3.)
- MORAL, F. *Aktienkapital und Aktien-Emissionskurs, bei industriellen Unternehmungen.* Staats- und sozialwissenschaftliche Forschungen, 176. (Munich: Duncker & Humblot. 1914. Pp. xii, 54. 2.50 M.)
- NOETHER, E. *Vertristung und Monopolfrage in der deutschen Elektrizitätsindustrie.* (Leipzig: J. Bensheimer. 1913. Pp. 112. 2.50 M.)
- NORTON, W. J. *Illinois public utility commission law and municipal ownership law.* (Chicago: T. H. Flood & Co. 1914. Pp. 200. \$2.)
- REEDER, R. P. *The validity of rate regulations, state and federal.* (Philadelphia: T. & J. W. Johnson Co. 1914. Pp. xv, 440. \$5.)
- RUSSELL, S. *The disintegration of monopoly.* (Salt Lake City: Samuel Russell, 415 McCornick Block. 1914. 50c.)
- SINGER, J. *Das Land der Monopole: Amerika oder Deutschland.* (Berlin: Siemenroth. 1913. Pp. 366. 8.50 M.)

The work is divided into three parts. Part I discusses monopoly tendencies in America; describes the organization and operation of the leading American organizations which have come to be considered monopolies, such as the Standard Oil Company, the United States Steel Company, and the United Shoe Machinery Company. In a similar manner part II describes the cartels of Germany. Thus is afforded an excellent source of information for the facts referring to the large organizations of capital in these two countries which, under the name of monopolies, trusts, cartels, and syndicates, have been causing so much concern to the people. It is in part III that the student of economics will find most to interest him, for here is discussed the attitude of the governments and the people towards monopolies, together with an examination of the nature and development of monopolistic organizations.

The author holds that monopolies are the natural outcome of competition, and since they are a natural result, they must be favored and controlled. This seems in some respects a crude application of the Darwinian principle of the survival of the fit; for whatever justification it may have in a pure state of nature, it cannot be admitted to apply fully in the social world of human beings. A product of social evolution is not its own justification of its continued right to be. The author also discusses the effect of tariff reductions in America on business, and the methods used by various firms to aid employees in case of accident, sickness, and old age. He holds that large-scale organization tends to mitigate the occurrence of crises because of its adjustment of supply and demand.

W. F. G.

SMITH, H. A. *The law of associations, corporate and unincorporate.* (London: Oxford University Press. 1914. 6s.)

——— *Commission telephone cases.* Three volumes. (New York: American Telephone & Telegraph Co. 1914. Pp. liii, 1991.)

Labor and Labor Organizations

Jurisdiction in American Building-Trades Unions. By NATHANIEL RUGGLES WHITNEY. Johns Hopkins University Studies in Historical and Political Science, Series XXXII, No. 1. (Baltimore: The Johns Hopkins Press. 1914. Pp. vii, 182.)

The study is divided into six parts, treating of territorial jurisdiction, trade jurisdiction, dual unionism, demarcation disputes, the cost, and the remedy for jurisdictional disputes. Under these several heads much valuable information is brought together from practical sources to illustrate the four kinds of disputes that prevail.

The cost of jurisdictional disputes receives special attention and evidence is furnished to show the reality of this loss. Labor leaders themselves are beginning to realize how costly disputes are. The typical view is expressed in a quotation: "It is untenable and intolerable for an organization to attempt to ride rough shod over and trample under foot the rights and jurisdiction of a trade . . . which is already covered by an existing organization."

The remedies for jurisdictional disputes are treated in the closing section. Conferences and agreements are weak, as they are optional. Arbitration fails because of lack of confidence in arbitrators. Amalgamation of disputing unions would be both simple and effective "if the unions in conflict could only be persuaded to adopt it." This they refuse to do. Exchange of cards and dual membership have not worked well. Remedial measures generally are not effective. As to preventive measures, the conclusions are somewhat more optimistic. Among these are found: (1) the filing of fully listed jurisdiction claims with the Building Trades Department of the A. F. of L., (2) agreement not to participate in sympathetic strikes over these conflicts, (3) development of industrial unionism. In the author's view (pp. 147-148),

It is vain to hope that disputes will disappear within any reasonable time. As long as labor is organized in the present manner and as long as new materials and new methods are being introduced into

industry, the causes and opportunities for conflict will continue. Hope must lie, therefore, largely in the prospect of removing or mitigating the evils of such disputes by effecting a change either in the organization of labor or in the attitude of trade unionists. These changes cannot be brought about suddenly, but must result from a gradual evolution, the progress of which can already be detected in various directions.

Dr. Whitney's investigation forms another timely addition to the list of intensive studies that come from the Johns Hopkins economic seminary. Though the study is limited to building trades, it is so thoroughly representative that it may be taken as a safe guide in the analysis of jurisdictional disputes in the much wider field of trade unionism. Though his conclusions may be somewhat discouraging, they are sound. Jurisdictional disputes, as well as many other evils that are now associated with the activities of these organizations, will in the end be eliminated, largely because of the importance of public opinion as an element of success in their operations. Yet one could hardly agree with any conclusion that might be inferred from the study that mediation and arbitration are not worth trying. They accomplish a degree of good directly that is worth while, and, further, they assist in keeping up agitation that is in the end educational. This latter is a point of no small importance.

GEORGE GORHAM GROAT.

University of Vermont.

Child Labour in the United Kingdom. By FREDERIC KEELING. (London: P. S. King and Son. 1914. Pp. xxxii, 326. 7s. 6d.)

The conference of the International Association for Labour Legislation held at Zürich, September, 1912, requested a series of national reports on child labor, to be presented to a special international commission. This volume contains the work of the sub-committee appointed by the British section to draw up the report on child labor in the United Kingdom. The members were Lord Henry Bentinck, M.P., Miss Constance Smith, Miss Mary Phillips, Mr. Frederic Keeling, and Miss S. Sanger, secretary of the British section. The report was drafted by Mr. Keeling, but its scope and method were determined by the committee, and its details were revised in accordance with their criticism. The reports on special localities, which are a significant

part of the volume, were drawn up by the several committee members. By personal interview with local authorities and by the examination of documents it has been found possible to present considerable material previously unpublished or not easily accessible.

The report is far less comprehensive than its title. It practically excludes child labor which is subject to the Factory and Mines Acts and is "a study of the administration of the law, rather than of the facts which necessitate the adoption of regulation." Considering the familiarity of these facts, "it seemed to the committee that it would be more valuable to investigate the practical steps which can be taken to deal with child labour, rather than to elaborate further the inquiries into its character and effects." The Factory and Mines Acts represent such long experience and such unanimity of sentiment that their further amendment offers a simple problem of extension. Their administration devolves upon the Home Office and is uniform. Children outside these acts are protected by several enactments executed directly by local authorities. Besides the difficulties incident to local administration, such children, in the United Kingdom as elsewhere, are chiefly scattered workers, in irregular occupations, without settled workplaces, and their protection presents many problems inadequately solved. The report discusses five such groups: the "climbing boys" or chimney sweepers, children in agricultural gangs, in public entertainments, in street trading, and in a miscellaneous group of "general employment." Excepting the discussion on street trading, the report concerns "children," as generally defined by English labor legislation, under 14 years of age. Local authorities now have no control over the employment of young persons 14-17, excepting in a few selected occupations, and for the sake of simplicity the law's distinction has determined the field of the report.

Within these limits the treatment is very thorough. An introduction states and explains the committee's method and contains an "outline of the history and present position of child labour legislation in the United Kingdom." The development of this legislation is shown in some very useful tables. It is surprising, by the way, to learn that no official census exists of the children under 14 now employed. The committee's estimate is half a million, "possibly considerably over 600,000." Part I of the report reviews the development of child labor regulation outside factories

and mines; part II discusses its administration, estimates results and offers suggestions for reform; part III tabulates by-laws, made by 127 local authorities regulating general employment and by 151 regarding street trading. Part IV contains specimen by-laws, administrative statistics, and detailed reports from London and 18 other localities; part V contains the Employment of Children Act of 1903 and other statutes affecting child labor outside of factories and mines. Part VI is a bibliography of all known works dealing with the conditions and the regulation of child labor, outside of factories and mines, in the United Kingdom. Indexes of places, persons, and subjects are added.

The committee's recommendations are directed chiefly toward securing administration of child-labor laws by education authorities, toward a raising of the minimum age and shortening of the hours of children's employment, toward extended medical inspection of working children, and the prohibition of street trading by boys under 17 and girls under 18. Further extension of prohibitions is recommended for children under 14 in specified industries, as in barber shops, as billiard markers, in feather and rag sorting, etc. In its reflection of the course of legislation, of the peculiar dangers of street trading and public entertainment, of the futility of legislation without sufficient and efficient administrative machinery, the report repeats and reinforces the record of this problem in the United States. Its evidence—despite the persistence of exploited children in British industry—of a marked decrease in their members is a spur to hopeful and determined effort. The whole report is an admirable contribution.

EMILIE LOUISE WELLS.

Vassar College.

Arbeitslohn und Arbeitszeit in Europa und Amerika 1870-1909.

By R. KUCZYNSKI. (Berlin: Verlag von Julius Springer. 1913. Pp. iv, 817. 24 M.)

This weighty volume by the director of the statistical bureau of Schöneberg is a good example of German thoroughness and painstaking. The well-known international investigations of wages and hours of labor made by the United States Department of Labor formed the nucleus of the volume. The first of these investigations, published in 1898, covered the period from 1870 to 1898. Transcripts were taken from the pay-rolls of at least

two establishments in each of 12 cities showing the daily wages in 25 different occupations. The labor bureaux in England, France, and Belgium secured similar data for London, Manchester, and Glasgow, Paris and Lyons and Liège. The results of the second investigation constituted the nineteenth annual report of the Commissioner of Labor, published in 1905. The period 1890-1903 was covered. The scope of the investigation was immensely broadened, 67 industries, more than 500 occupations, and nearly 3,500 establishments in all parts of the country being included. Dr. Kuczynski undertook to secure data for this second period from two German cities, Berlin and Nürnberg, as well as for Paris, Lyons, and Liège. In one important particular, the method pursued in the first investigation was departed from, *i.e.*, hourly wages instead of daily wages were secured. The change is criticised by the author on the ground that the daily wage is a more important item than the hourly wage and also because the continuity of the data was thereby interrupted.

In addition to the material published in the United States, a large amount of unpublished material for Germany, France, and Belgium was utilized. The plan of the first part of the book, consisting of 375 pages, and dealing with wages and hours, is as follows. Five industries, building, stone working, wood working, metals and machine working, and printing are treated in the order named. Within each industry, a number of trades are handled. To each of these trades a chapter is devoted in which the occupations in that trade are briefly outlined. For example, in the building industry, the first chapter is devoted to masonry and it discusses the work of bricklayers, stone-masons, hod-carriers, and plasterers. Tabular presentation is given of each occupation and is discussed under four heads: hourly wages, weekly working time, daily wages, and weekly wages. Ten tables are given for each occupation treated; four as to hourly wages, three as to weekly working time, and three as to daily wages. Results are shown by averages, by classified groups, and, for the continental cities, the minimum, the maximum, both quartiles, and the median wage are also shown. After the occupations in a given industry have been treated in the fashion indicated, there is a review of each industry. Seven summary tables are given for each industry and general comparisons are made, each country being treated as a whole instead of by cities.

The second part of the volume, consisting of 416 pages, is devoted to wages and working time on the basis of agreements between the workers and the employers. Germany and the United States only are included, and only three industries—building, stone working, and printing. The first section is devoted to the tabulation and analysis of 4,631 German agreements, the second to 1,363 American agreements, and the third to a comparison as to wages and working time between Germany and the United States on the basis of these agreements. The tabulations bring out the places where each agreement was in force, its duration and the provisions as to minimum wages and maximum working time.

An enormous task has been accomplished in assembling the materials and in tabulating the often refractory data in such form as to make comparison possible. Evidences of care and painstaking abound. The volume is fully indexed, both by occupations and places, thereby rendering its wealth of information easily accessible.

EUGENE B. PATTON.

New York Department of Labor.

NEW BOOKS

BRAUN, A. *Die Gewerkschaften, ihre Entwicklung und Kämpfe.* (Nuremberg: Fränkische Verlagsanstalt. 1914. Pp. viii, 503. 5 M.)

FRAENKEN, C., editor. *Weyl's Handbuch der Hygiene.* Second edition. (Leipzig: J. A. Barth. 1914. Pp. iii, 71. 4 M.)

HARPER, S. A. *The law of workmen's compensation in Illinois.* (Chicago: Callaghan & Co. 1914. Pp. xviii, 404. \$5.)

HOEFLE, A. *Kompass für die Frau im Handwerk. Ein praktischer Wegweiser für Lehnmädchen, Gehilfin und Meisterin.* (M.-Gladbach: Volksvereins-Verlag. 1913. Pp. 118.)

German authorities have only recently applied to women workers the labor laws concerning the handicrafts. This volume is a primer, designed as a simple exposition of the law to the women, teachers and apprentices, employees and employed, who need an easy means of acquaintance with its provisions. It affords interesting evidence of the detailed supervision of industry in Germany, especially of the concern for trade education and of the reinforcement and control of the hand trades by educational requirements. E.L.W.

HUNTER, R. *Violence and the labor movement.* (New York: Macmillan. 1914. Pp. xiv, 388. \$1.50.)

To be reviewed.

KENNEDY, J. C. and others. *Wages and family budgets in the Chicago stockyards district.* (Chicago: University of Chicago Press. 1914. Pp. 80. 25c.)

Koch, H. *Die deutsche Hausindustrie*. (M.-Gladbach: Volksvereins-Verlag. 1913. Pp. 294. 3 M.)

A revised, expanded edition of a work published in 1905, this is a general survey of home manufacture in Germany, its origin and distribution, the wages and other working conditions associated with it, and the legislation and voluntary effort designed to remedy its evils. Among remedies the author places legal regulation of wages first in importance, though urging other social legislation as necessary and useful. Admitting that national action is inadequate in some cases, he advocates international agreement on a policy of control over such industries. In marked contrast to recent recommendations from investigators in the United States, the abolition of home manufacture is not suggested. E.L.W.

LEVINE, L. *Syndicalism in France*. Columbia University studies in history, economics, and public law, XLVI, 3. (New York: Longmans. 1914. Pp. 229. \$1.50.)

A second revised edition of *The Labor Movement in France* which was reviewed in the December, 1912, number (vol. II, p. 945).

LOUIS, P. *Le mouvement syndical en Suède et en Norvège*. (Paris: A. Rousseau. 1914.)

MITCHELL, J. *The wage earner and his problems*. (Washington, D. C.: P. S. Risdale. 1913. Pp. 186. \$1.)

Mr. Mitchell presents in the cautious, conservative manner which is characteristic of his work as a labor leader, the position of the American Federation of Labor on a number of vital social and economic questions, such as immigration, compensation for industrial accidents, unemployment, prison labor, and the minimum wage. No new arguments are presented in support of the positions taken, but the statement is clear and concise. Socialists and radical reformers will feel that Mr. Mitchell is altogether too modest in his demands. G.L.A.

OVERBERGH, C. V. *La grève générale*. (Paris: Misch & Thron. 1914. Pp. 654. 12 frs.)

ORAGE, A. R. *National guilds. An inquiry into the wage system and the way out*. (New York: Macmillan. 1914. Pp. viii, 370. \$1.60.)
To be reviewed.

PIGOU, A. C. *Unemployment*. (New York: Holt. 1913. Pp. viii, 256. 50c.)

RUFF, F. *Unternehmergewinn und Arbeitslohn im Lichte der neuesten Forschungen*. (Leipzig: Degener. 1914. Pp. vii, 109. 3 M.)

TAWNEY, E. H. *Minimum rates in the chain-making industry*. (London: Bell. 1914.)

WATNEY, C. and LITTLE, J. A. *Industrial warfare. The aims and claims of capital and labour*. (New York: Dutton. 1913. Pp. x, 353. \$2.)

This book may fairly be described as a high-class transcription

of matters of common knowledge and opinion among the best-informed of British trade unionists. It deals with the general industrial situation by trades: the railway world, the mining world, etc. It will serve the purpose of a reader desiring orientation into the English labor situation, but contains little of importance for the specialist. One can learn from it, however, the names of some of the British labor leaders who are considered by their fellows to be most significant, and the appendix contains a neat bit of raw material in the shape of a copy of the directions issued to pickets by Mr. Ordell, an experienced official of the Dockers' Union, during recent dock strikes.

CARL E. PARRY.

WOLFE, F. E. *Admission to American trade unions*. Johns Hopkins University studies in historical and political science, III, 3. (Baltimore: Johns Hopkins Press. 1912. Pp. 181. \$1.)

This monograph is one of a series of investigations into the activities of American trade unions undertaken by the Economic Seminary of the Johns Hopkins University. In its eight chapters covering 181 pages are discussed the control of membership, admission for apprenticeship and by competency, admission of women, aliens, and negroes, the severance of membership, and reinstatement and readmission.

This detailed historical development of trade union policies with reference to membership is of permanent value, but more specific attention might well have been given to the now much discussed facts concerning exclusive initiation fees. It is interesting to note also that only three years ago it was possible for the author to supplement his first sentence with a footnote explaining the legal right of a union to determine its own membership "in view of the state of the law which absolves the master from liability for injuries sustained by a workman through the carelessness of a co-employee." The abrogation of this defense by legislation in many states within three years suggests the speed with which labor history is being made as well as written.

JOHN B. ANDREWS.

WEED and KENNEDY. *The workmen's compensation law of the state of New York*. (New York: L. W. Lawrence. 1914. Pp. 60.)

WILLIAMS, R. *The first year's working of the Liverpool docks scheme*. (London: King. 1914. 2s. 6d.)

WILLIS, W. N. *White slaves of toil: how women and children are sweated*. (London: Pearson. 1914. Pp. 208. 1s.)

Industrial poisoning, accidents and dangerous occurrences during 1913. Cd. 7309. (London: Wyman. 1914. 1d.)

Report for the year 1913-1914. British section. (London: International Association for Labour Legislation. 1914. Pp. 16.)

The unemployed. Seventh report upon the work of the central (unemployed) body for London, covering the period July, 1912, to June, 1913. (London: King. 1914. 1s.)

Unemployment. A problem of industry. Report of the first national

conference on unemployment. (New York: American Association for Labor Legislation. 1914. Pp. 210. \$1.)

The workmen's compensation law. (New York: Dwight & Hilles. 1914.)

Enquête sur le travail à domicile dans l'industrie de la chasse. (Paris: Imprimerie Nationale. 1914. Pp. x, 553.)

Gebiete und Methoden der amtlichen Arbeitsstatistik in den wichtigsten Industriestaaten. Beiträge zur Arbeiterstatistik, 12. (Berlin: Heymans. 1913.)

Money, Prices, Credit, and Banking

Money and Prices. A Statistical Study of Price Movements. By JAMES DYSART MAGEE. (Chicago: University of Chicago Press. 1913. Pp. 89.)

In the *Quarterly Publications of the American Statistical Association* for June, 1912, Dr. Magee suggested a simple method of measuring the degree of correspondence between two series of index numbers. Fluctuations in the same direction he entered as +1, fluctuations in opposite directions as -1, and cases in which one series changes while the other remains constant as 0. The algebraic sum of these entries divided by their number he held to give the degree of correspondence.

In the present investigation, Dr. Magee applies his method to determine the causal relations between changes in money or bank deposits and changes in price index numbers of bonds, stocks, farm products, and commodities at wholesale. Whenever it is possible he deals with weekly and monthly as well as with yearly data. The highest degree of correspondence which he finds is +.684 between the yearly fluctuations of stock prices and of net deposits in the New York Clearing-House banks in the preceding year. Next comes +.611 between the movements of bond prices and net deposits for the same year. When he compares wholesale-price index numbers with the quantity of money, the highest degree of correspondence turns out to be +.279 between a series of index numbers for 1867-1911 and per capita circulation for the previous year. In general, the yearly figures show closer correspondence than the monthly or weekly figures. "The causal influence runs from money in circulation or in banks to prices more frequently than the reverse. On the other hand, the causal influence runs from prices to bank deposits more frequently than the reverse" (p. 54).

Especial stress is laid by Dr. Magee upon his test of the sta-

tistical proofs of the quantity theory by Professors Kemmerer and Fisher. Comparing the index numbers of prices given by their equations of exchange and the corresponding index numbers as directly determined, Dr. Magee finds a correspondence of $+.48$ in Kemmerer's series for 1879-1908, and of $+.31$ in Fisher's series for 1896-1909.

Of course this method of determining the agreement between two series is extremely rough, since attention is given only to the direction of the fluctuations. In dealing with Fisher's and Kemmerer's figures, accordingly, Dr. Magee refines upon his procedure by taking into account not only the direction but also the degree of change from one year to the next. To this end he computes the percentage of increase or decrease between the successive numbers in each of the series to be compared, divides the smaller by the larger, and strikes the arithmetic mean of the quotients. That this method gives erratic and therefore unreliable results has been demonstrated by Professor W. M. Persons in the March issue of the *Quarterly Publications of the American Statistical Association*. Hence little importance attaches to the final unfavorable results which Dr. Magee obtains from his testing of Fisher's and Kemmerer's work. Better methods of measuring correlation, even where the time element is important, have been devised and described in textbooks like Yule's.

It is unfortunate that such an energetic and capable young investigator as Dr. Magee was not given more expert technical advice by those who supervised his dissertation.

WESLEY C. MITCHELL.

Columbia University.

Gold, Prices and Wages. By JOHN A. HOBSON. (London: Methuen and Company; New York: George H. Doran Company. 1913. Pp. xi, 181. \$1.25.)

Essentially, this is an examination of the quantity theory as set forth in various recent works—in particular Fisher's *Purchasing Power of Money*. Fisher's use of the equation of exchange ($MV + M'V = PT$) is criticised at the point which many readers have felt to be a questionable link in the chain of reasoning—namely, that increases of money (M) bring about proportionate increases in bank deposits (M').

Hobson sees clearly that if Fisher's argument fails at this point his contention as to the effect of gold output on prices loses most

of its force. But though he renders a real service in subjecting this contention to re-examination, his own attempt to refute it fails of its goal for the twofold reason that he is (apparently) not familiar with the whole of Fisher's argument, and that he fails to grasp Fisher's method of analysis. The latter holds that M and M' vary together and that their variations do not affect V or V' . It follows that (if V and V' are not influenced by other forces) the doubling of M will double the whole lefthand member of the equation. General prices (P) will necessarily be doubled as a result. (Assuming T a constant.) Hobson does not understand the mathematics (mere algebra) of treating V and V' as independent of changes in M and M' . Witness the following (p. 146):

It is surely to be expected that in order to prove that quantity of gold normally rules prices, Professor Fisher would feel obliged to show that the aggregate of money in our sense of money payments (Hobson means by this latter term total "moneywork"—viz., Fisher's $MV + M'V'$) was directly governed by quantity of gold. In order to show this, it is necessary, first, to insist that deposits or circulating credit, is governed by gold; secondly, that the rates of circulation both of gold and of deposits or cheques are similarly governed.

This "secondly" contains Hobson's error in algebra. If V and V' are functions of M , changes in M will *not* produce proportionate changes in P .

But this quotation shows one thing more. Hobson apparently does not understand the scientific method of *isolating* a cause in order to ascertain its effects. Fisher recognizes explicitly (p. 162) that "changes in population, commerce, habits of business men, and banking facilities and laws may produce great changes" in the normal ratio between M' and M , and says (p. 163) that one result of such causes will be to increase M' and hence to increase prices. This is exactly the thesis which Hobson expounds at some length, apparently under the belief that Fisher had overlooked it, and had thereby invalidated his position. The truth, of course, is that with entire comprehension of these forces and their effects, Fisher directs his inquiry to the effects of changes in the quantity of money *considered by themselves*. Hobson's refusal to accept conclusions reached by this method (a method invoked by all scientists) is like rejecting the law of gravitation because a balloon rises in the air, or because a falling body is deflected from its path by the force of the wind.

On the same order is the argument that enlarged bank reserves

have not increased bank credit because if it were so the rate of discount must have fallen, whereas on the evidence of statistics it has risen. Hobson thinks the quantity theorist is dependent for the validity of his argument upon the supposed fall in the rate of discount. But no one is more keenly aware of what does happen to discount and interest rates than the author of *Appreciation and Interest* and *The Rate of Interest*; and a knowledge of these writings should have made it clear that bank credit might be extended even with a rate of discount rising *pari passu* with the increase in the general rate of interest which accompanies rising prices.

A truly interesting part of the book is reached in the author's exposition of bank credit as increasingly and almost completely independent of the gold reserve. In his opinion, bank credit is founded on concrete forms of property. The element of truth in this contention would seem to lie in the fact that the liabilities of a bank are *secured* by its assets; that among these assets are the liabilities (*e.g.*, promissory notes) of business men, and that back of these are the general assets of these same men. But this well-known truth is not inconsistent with the other fact that banks find it necessary to relate their reserves to the amount of their demand liabilities. As long as this continues to be the case, there will continue to be a "normal" relation between money and bank credit. The part of the book which is presented as an original constructive contribution to the theory of prices has been reviewed with great particularity and with strongly adverse judgment, by Professor J. M. Keynes in the *English Economic Journal* for September, 1913. In this judgment the present reviewer concurs.

WALTER M. ADRIANCE.

Princeton University.

The Influence of the Gold Supply on Prices and Profits. By Sir DAVID BARBOUR. (London: Macmillan and Company. 1913. Pp. xii, 104. \$1.25.)

Sir David Barbour has in other publications made clear his strong belief in the quantity theory of money, and his further emphasis on that view in this, his latest work, is no surprise. His purpose, as stated in the preface, is "to show in what way the quantity of money affects prices and to explain the limitations involved in the assumption that 'other things are equal'." Ricardo's theory of the distribution of the precious metals is the

starting point, and economic influences are emphasized as the vital factors in the world's trade. The general level of prices is proportional to the quantity of money, the relation being expressed by the equation,

$$P = Q \times \frac{E}{W}$$

P represents the average level of prices, Q the quantity of money, E the efficiency of money, and W the total work to be performed.

Credit makes possible an economy in the use of gold and hence influences the general level of prices. New supplies of gold affect prices chiefly and primarily by temporarily lowering the rate of discount. Wholesale prices are first affected, retail prices, wages, etc., rising later. This lag in the advance of some prices leaves a margin of profit, hence more demand for loans and finally a higher rate of interest and discount. Since changes in the quantity of money do not affect all prices and wages simultaneously, many persons and classes in the community are injured while others are benefited. The last two chapters deal with the practical value of the quantity theory and the consequences of a general fall or rise in prices.

The volume thus gives a good summary of the quantity theory as it is generally accepted, and is of interest as the latest exposition of that much-discussed and much-abused explanation of prices. A reader, however, cannot but feel disappointed at the treatment. Since the appearance of Professor Fisher's volume *The Purchasing Power of Money* and the author's *The Standard of Value*, a very strong attack on the quantity theory has been presented by Mr. J. A. Hobson in *Gold, Prices and Wages*. No matter how one may dissent from Mr. Hobson's conclusions no writer on monetary theory can afford to ignore him. His contentions must be answered or the theory of money modified to meet his criticisms of it. This neglect is illustrated by the author's failure to discuss Mr. Hobson's insistence that "an acceleration of purchasing power is a large factor in the rise of prices" and that this "acceleration of purchasing power is not directly attributable to the increased output of gold."

In the preface one finds the assertion that the soundness of the quantity theory "is beyond question" and the announcement that the volume is to deal with the way the quantity of money affects prices and to explain what is meant by the assumption that "other things are equal." This is difficult to understand. How can one enter into the controversy except (as does the author) by dis-

cussing how and why changes in the quantity of money affect prices and to what extent other influences are of importance? In fact the volume is merely a restatement of the usual arguments for the quantity theory. Little that is original has been introduced into the treatment and the book cannot be viewed as a valuable contribution to the literature of the subject.

E. M. PATTERSON.

University of Pennsylvania.

Final Report of the Royal Commission on Indian Finance and Currency. Parliamentary Publication, Cd. 7236. (London: Wyman. 1914. Pp. 91. 9d.)

The Fowler Currency Committee of 1898 recommended for India a gold standard with an active circulation of gold coins. The report of this committee was received with favor by the Home and the Indian governments; nevertheless in the following years the mechanism of the Indian monetary system developed primarily upon the lines of an exchange standard rather than of a gold circulating currency. Alterations took place in the composition and location of the government's reserves so that large gold resources accumulated in London, and a rupee reserve was virtually established in India. Council drafts were sold in such large amounts that shipments of gold to India were in a large measure obviated, and, in the crisis of 1907, it was found that the sale of drafts upon the London gold reserves was the most efficient method of supporting exchange. As the Royal Commission of 1913 reported, "the measures taken to maintain the exchange value of the rupee have been . . . less in pursuance of the recommendations of the Committee of 1898 than supplementary to them."

Nevertheless the government had never renounced the ideal of a gold circulating currency, and it had become imperative that, either the mechanism of the exchange standard should be perfected, or a more vigorous program adopted for increasing the circulation of gold coins. The former of these alternatives is recommended by the Royal Commission of 1913 in a clearly written and, on the whole, convincing report.

The commission decided that, "It would not be to India's advantage to encourage an increased use of gold in the internal circulation," and that a mint for the coinage of gold should not be established unless Indian sentiment should genuinely demand it. It was recommended that the "Government should definitely un-

dertake to sell bills in India on London at the rate of 1s. 3 29/32d. per rupee whenever called upon to do so." Changes in the structure of the government's reserves and balances were advocated in order that their purpose might be more clearly defined, their efficiency in supporting exchange increased, and the present disadvantages of an independent treasury system and an inelastic currency, at least to some degree, removed.

The proposal that the exchange standard should be further perfected by the adoption of a policy in which Council Bills should always be sold at a fixed rate did not meet with favor among the members of the commission. It is in regard to the feasibility of the acceptance of this suggestion that further controversy is undoubtedly to be expected. The question may still be raised whether respect for Indian sentiment has not exerted a disproportionate influence upon certain features of Indian finance. In refusing to accept the proposal that Council Bills should always be sold at a fixed rate, the commission is willing that what is believed to be the economics of the situation should prevail over political considerations. Accordingly, a policy may be continued against which must be directed vigorous, even though often unfounded, charges of governmental management and discrimination. But a mint for the coinage of gold may be established if the Indian people wish it. In a country where a majority of the natives may not know that there is such a thing as a mint, what significance should be attached to sentiment either favoring or disapproving its establishment? Should not the government, under such circumstances, devote its entire energies to securing the most economical form of a currency?

The commission did not report upon the question of the establishment of a state or central bank, but advised that a small expert committee should be appointed to consider this project. Recommendations were also made regarding the financial organization of the India Office. These, if accepted, should do much towards increasing the efficiency of Indian financial procedure.

HAROLD L. REED.

Ithaca, N. Y.

NEW BOOKS

- BAUDIN, P. *L'argent de la France*. (Paris: Grasset. 1914. 3.50 fr.)
BRANDEIS, L. D. *Other people's money, and how the bankers use it*. (New York: Stokes. 1913. Pp. 233. \$1.)
DOWRIE, G. W. *The development of banking in Illinois, 1817-1863*. (Urbana: The University of Illinois. 1913. Pp. 181. 90c.)

- FRANCHI, M. L. *La Banca d'Italia dopo l'atto bancario del 1893*. (Torino: Baravalle e Falconieri. 1913.)
- GUETHE, G. *Die wirtschaftlichen und rechtlichen Grundlagen des modernen Hypothekenrechts*. (Berlin: Vahlen. 1914. Pp. 139. 3.50 M.)
- HILDEBRAND, R. *Ueber das Wesen des Geldes*. (Jena: Fischer. 1914. Pp. 49. 1.20 M.)
- IDEN, V. G. *The federal reserve act of 1913. History and digest*. (Philadelphia: National Bank News. 1914. Pp. 122.)
Gives a brief account of the factional contests within the Democratic party in the preparation of the bill.
- ILLIG, H. *Das Geldwesen Frankreichs zur Zeit der ersten Revolution bis zum Ende der Papiergeldwährung*. Abhandlungen aus dem staatswissenschaftlichen Seminar zu Strassburg, 31. (Strassburg: K. J. Trübner. 1914. Pp. xii, 87. 3 M.)
- KAUTSKY, K. *The high cost of living, changes in gold-production and the rise in prices*. (Chicago: Kerr. 1914. Pp. 114.)
- KIRKBRIDE, F. B. and STERRETT, J. E. *The modern trust company. Its functions and organization*. Fourth edition, revised. (New York: The Macmillan Company. 1913. Pp. xiii, 319.)

This volume is addressed to the general reader and is written from the standpoints of the banker and the accountant. The opening chapter, on Functions, might well have been amplified and enriched without impairment of proportion. One of the merits of the book is that, in general, only passing reference is made to features of the subject that are not of vital importance to the general reader or that have been treated elsewhere. In connection with the history, causes of growth, and regulation of trust companies the authors have refrained from duplicating the work of Cator and Barnett, while the discussion of topics of chief interest to the banking fraternity, such as methods of increasing business, is left to Herrick and others. Whereas liberal space is devoted to accounting, books, records, and forms, scant attention is paid to the larger aspects of the trust company considered as an institution of increasing economic and social significance. The only essential point of difference between the editions of 1908 and of 1913 is that the latter contains a comprehensive bibliography.

C. A. PHILLIPS.

- LANDRY, A. *Le crédit industriel et commercial*. (Paris: Dunod & Pinat. 1914. Pp. 313. 4.50 fr.)

This book is one of a series (*Encyclopédie parlementaire des sciences politiques et sociales*) which aims to present, without political bias, information concerning various measures before Parliament. The project to improve the credit facilities for small merchants and manufacturers is treated by the secretary of the commission which studied the question. Three deficiencies in French

banking are discovered: (1) Short-time credit for small merchants and manufacturers is lacking or costs too much. (2) Long-time credit in industry and commerce cannot be obtained except by the largest concerns. (3) Exporters cannot get credit to develop foreign trade.

Practically no attention is given to the question of why these deficiencies exist or whether the effort to do away with them is not a plan to perpetuate an inefficient system of small-scale production and merchandizing. Assuming the deficiencies and that they should be remedied, the history of the project is given. Much material is presented such as: laws introduced; laws actually passed for agricultural credit; the full reports of the three subcommissions; the bill as proposed by the commission, as introduced by the government, and as subsequently amended; and reports or mention of similar projects in Austria, Bohemia, Germany, and Russia.

Only the first two deficiencies are provided for by the following proposals: (1) Mutual guaranty societies in which all of the members have unlimited liability. These societies will endorse bills of exchange for their members thus making it easier to have them discounted. These are modelled after the societies for agricultural credit. (2) Popular coöperative banks. The inevitable contribution from the Bank of France appears in the 12,000,000 fr. obtained from it to be lent by the government to these popular banks for five years without interest. These two proposals refer to short-time credit. (3) A bank patterned after the *Crédit Foncier* with a capital of 5,000,000 fr. provided by the government from funds obtained from the Bank of France. The bank will sell bonds and loan the proceeds for long periods to small industries. (4) Auxiliary banks which will participate in companies as well as lend to them.

Incidental side-lights are brought out in the objection that local banking service is poorer since the big credit banks have taken over the local banks and in the doubt as to whether the *Crédit Agricole* will ever repay to the state the "temporary" interest-free advances. The book does admirably what it starts out to do but seems to neglect the more fundamental question of the wisdom of the whole proposal.

JAMES D. MAGEE.

University of Cincinnati.

LANSBURGH, A. *Die Massnahmen der Reichsbank zur Erhöhung der Liquidität der deutschen Kreditwirtschaft.* Finanzwirtschaftliche Zeitfragen, 8. (Stuttgart: Enke. 1914. Pp. 62. 2 M.)

LANSKAIL, T. R. *The importers' sterling advance tables.* (London: Sell. 1914. Pp. 186. 8s.)

LESCURE, J. *L'épargne en France.* (Paris: Larose & Tenin. 1914. Pp. viii, 114. 2.50 fr.)

LEWIN, H. *Die Sächsische Bank 1865-1911. Ein Beitrag zur Notenbankfrage in Deutschland.* (Berlin: Jurist. Verlagsbuchh. 1914. Pp. v, 156. 5 M.)

LUSK, G. *The fundamental basis of nutrition.* (New Haven: Yale University Press. 1914. Pp. 62. 50c.)

A chapter on Monetary Value of Foods is of economic importance in showing what foods furnish nourishment in a form which is best and cheapest. Without appreciable difference in the food value of a family diet, the cost may vary enormously.

OBST, G. *Das Bankgeschäft. I. Verkehrstechnik und Betriebs-Einrichtungen.* (Leipzig: Poeschel. 1914.)

REEVES, F. T. *Digest of the federal reserve act.* (Waterbury, Conn.: Mattatuck Press. 1914. Pp. 63, xxvii.)

ROSENBERGER, J. L. *Bank officers; a handbook of practical information extracted from decisions of courts.* (Chicago: The author. Pp. 80. 75c.)

ROTH, H. L. *The genesis of banking in Halifax with sidelights on country banking.* (Halifax: King. 1914. 10s. 6d.)

SCOTT, W. A. *Banking.* (Chicago: McClurg. 1914. Pp. 178. 50c.)

SPALDING, W. F. *Foreign banking appointments.* (London: W. F. Spalding. 1913. Pp. 28. 1s.)

STEINBERG, P. *Die russische Reichsbank seit der Währungsreform (1897-1910).* Münchener volkswirtschaftliche Studien, 127. (Stuttgart: Cotta. 1914. Pp. xii, 140. 4 M.)

WHITEHEAD, R. B. *Catalogue of coins in the Punjab Museum, Lahore. I. Indo-Greek coins. II. Coins of the Mughal emperors.* (London: Oxford University Press. 1914. 20s.; 50s.)

Boeoles versus the Bank of England. (London: Butterworth. 1914. 7s. 6d.)

Le crédit agricole. (Paris: Ministère de l'Agriculture. 1913. Pp. 114.)

Public Finance, Taxation, and Tariff

The Financial History of New York State from 1789 to 1912.

By DON C. SOWERS. Columbia University Studies in History, Economics and Public Law, Vol. LVII, No. 2. (New York: Longmans, Green and Company. 1914. Pp. 346. \$2.50.)

This monograph is one of the series which is being prepared under the direction of the Department of Economics and Sociology of the Carnegie Institution of Washington. In the thoroughness of the investigation and the arrangement of material it is equaled by few, if any, similar historical studies. Expenditures are treated more fully than is usual in state financial histories. The author devotes relatively little space to the subject of taxation, a commendable feature since much has already been written on the

New York tax system. In his brevity, however, he sometimes sacrifices clearness. For example, in his very brief discussion of the local taxation of corporations he does not state at what time the different taxes appeared, and the reader would infer that they were in force throughout the entire period. Not until after 1865 was it true that bank shares "were included in the valuation of the personal property of the stockholder." Also the statements with regard to the taxation of foreign corporations and insurance companies are indefinite.

The author purports to treat the finances of the state from three points of view: methods of acquiring, expenditure, and management of the funds. His chapters on Economic Factors, Political Factors, and The Banking System, do not fall within this classification. The discussion of the economic and political factors has a legitimate place in the work since they are necessarily changing in a developing state and have had a decided influence in shaping financial policies. But the only justification for devoting a chapter of this study to the Safety Fund and Bond Deposit banking systems is that through this regulation of banking the state secured some revenue from money invested in bank stock.

The general financial history of New York does not differ in its general outlines from that of other states. First came the period of internal improvements, then the period in which the state adopted the laissez-faire policy, and finally the present period of state regulation. Certain features, however, stand out with more prominence than in most states. Among these may be mentioned internal improvements—canals in particular—to which the author devotes three chapters. The continued legislative corruption, which has only gradually been checked, partly by constitutional amendment, is a feature as marked as it is regrettable. The state comptrollers, who have in general been sterling men, have continually urged reform measures which have been adopted only in recent years. Although slow to adopt financial reforms, New York has made progress rapidly in recent years. Notable are the special taxes from which practically all the state revenue is obtained and the large number of regulatory commissions which are one of the largest drains upon the state funds. While political corruption played such a large part in the state's finances, instances of individual defalcations are rare.

The reader is forced to see how divergent the interests of the

people and of the legislature may be and is willing to conclude with the author that experts should have more power in shaping legislation. Probably not all would be willing to conclude with him, however, that a democratic state should not enter the field of public utilities. The appendix contains many useful tables.

M. H. HUNTER.

Cornell University.

La Crise des Finances Publiques en France, en Angleterre, en Allemagne. By A. LANDRY and B. NOGARO. (Paris: Librairie Félix Alcan. 1914. Pp. 264. 3.50 fr.)

Most of the great nations of the world have in recent years faced heavy increases in public expenditures, which have forced consideration of plans for new sources of revenue, increased debt, and reorganization of the budget. In France this situation has reached an acute stage, justifying the title of the book under review. M. Landry's discussion presents the case clearly and is particularly valuable because of its timeliness. Bringing his account down to the beginning of the present year, he shows the alarming increase in public expenditures, the increasing deficits in the annual budgets, and the enormous growth of the public debt, in particular the floating debt. The budget for 1914 shows a deficit of 800 million francs, the greatest shortage since the Franco-Prussian War. The objects responsible for swelling public expenditures are primarily military and naval expenditure (impelled largely by the increased military preparations of Germany and the occupation of Morocco), public works, education, and social betterment, intensified by the general increase in prices. M. Landry feels that the increased expenditures have not been due to waste, extravagance, or corruption, but have been thoroughly justified by national needs.

Having shown the seriousness of the present situation, the author sets himself the problem of finding means to equalize the budget and provide for future needs. Rejecting such make-shifts as special accounts and temporary or permanent loans, he concludes that the only remedy is the discovery of new sources of revenue. It is admitted that fraud and evasion are responsible for some loss of revenue, but the chance of any large saving here is not considered great.

France has since 1909 been discussing seriously the project of establishing a general income tax with a supplementary tax on

property, after the model of the tax systems of the principal German states. This project is commended by M. Landry. Although its adoption would necessarily be accompanied by the abolition of a large part of the present system of direct taxes, he believes that a net increase of revenue could be obtained, amounting to perhaps 250 million francs. In addition he would suggest a tax upon the growth in value of property and would find the rest of the necessary 800 millions from reforms and increases in the existing taxes and from the creation of certain new state monopolies.

While by this means the author believes that present needs would be satisfied, he feels that the future is sure to compel increasing expenses beyond what can be met by the ordinary growth in revenue. The necessity of taking means to combat the threatened decline in population is especially urgent; and whatever means are taken, the cost is sure to be great. Again, France must plan to make reductions in her debt, which can be accomplished only by regular amortization out of current revenue. To meet these needs of the future, the author sees little help from taxation. On the other hand, he believes that much can be gained by economies, by improved control of expenditure, and by reform of the budget.

In two supplementary chapters Professor Nogaro presents a clear and interesting account of the recent financial reforms in England and Germany. The discussion of English finances covers ground which is already familiar to American and English students of public finance. The account of the recent fiscal reforms in Germany puts in clear and concise form the record of an interesting epoch.

The book throughout shows evidence of thorough familiarity with recent financial history in the three countries. The problem is discussed with moderation and common sense and with evident command of the principles of public finance. The comparison which the book makes possible between the situation in France and that of England and Germany is particularly suggestive. The authors are frank to admit that France is behind her two neighbors in financial development and that her present situation is far more serious than theirs.

FRED R. FAIRCHILD.

Yale University.

Intorno al concetto di reddito imponible e di un sistema d'imposte sul reddito consumato. By LUIGI EINAUDI. (Torino: Vincenzo Bona. 1912. Pp. viii, 105.)

Professor Einaudi concludes his monograph with an appeal to his critics to pass over the question of the general validity of his conclusions and to consider merely whether the conclusions are logically deduced from the premise. The present reviewer intends to heed this request, although merely because within the proper limits of a review there is no room for any adequate discussion of the soundness of the postulate in question. It is regrettable that Professor Einaudi should attempt to take this non-Euclidean position, characteristic of much recent Italian economic writing, for he is dealing with a topic of practical import and makes a number of concrete recommendations for practical tax reform. And perhaps it may be something more than a quibble to suggest that Professor Einaudi has not really achieved the logical impossibility of utilizing only one premise.

The fundamental postulate on which so much stress is put is J. S. Mill's familiar canon of equality of sacrifice in taxation, interpreted as leading to proportional taxation. But the bulk of the argument really hinges upon another tenet of Mill's—that the taxation of the saved portions of incomes involves double taxation. Fisher's discussion of the nature of income, especially his contention that savings are not income, has given new significance to this view.

Conceding that "realized income," in Fisher's sense, is the proper subject of taxation, how is it in practice to be reached by the tax-gatherer? It is hopeless to attempt to gauge the expenditures and the savings of every taxpayer. As between an ordinary income tax and the taxation of consumption, the former is defective in principle, the latter difficult of complete application. Yet the author's contention is that the development of taxes on consumption furnishes the best practicable approximation to the taxation of "realized income."

Not all forms of expenditures could profitably be taxed: selection would be necessary. Moreover, expenditures for primary necessities or for increasing personal efficiency should be exempted on the ground that they are, in effect, a kind of savings invested in the maintenance and increase of one's personal capital. What is left would be distinctly sumptuary taxation: on the site value of habitations, on furniture and other durable consumption goods, on carriages, automobiles, servants, etc.

But it is evident that the author has wandered a long way from the postulate of equality. And just what would be the effect of such a system of taxation on the amount of savings is not at all clear. It is, of course, a matter of the elasticity of the demand for the particular things taxed as compared with (1) other present gratifications and (2) future goods and services. This point is as simple as it is fundamental, but Professor Einaudi neglects it.

Although the thing aimed at in most modern systems of direct taxation is gross income (with a minimum exemption) rather than "realized" income, there is already at work, thinks Professor Einaudi, an effective if largely automatic tendency toward the exemption of savings from taxation. His elaboration of this thesis is, in the reviewer's opinion, the most valuable part of the monograph. It contains a multitude of acute observations on existing tax systems together with thoughtful recommendations for their betterment. Especially interesting are the discussions of the taxation of building lots and inheritances and of the relative merits of taxes on income-yielding property and of the super-tax on incomes from property.

Professor Einaudi does not hold as fast to his "premise" as he ought to, but the quality of his discussion is possibly all the better on that account. He has particular difficulty with the dilemma that comes from the fact that to exempt those who ought to be given an opportunity to save is not, generally speaking, to exempt savings. But altogether the monograph is of very unusual interest and value.

ALLYN A. YOUNG.

Cornell University.

NEW BOOKS

- BARRIOL, A. *Théorie et pratique des opérations financières*. (Paris: Doin. 1914. Pp. 420. 5 fr.)
- BERTHOLD, O. *Ergebnisse der Wertzuwachssteuer und die Wirkungen der Steuer auf den Grundstücksumsatz*. (Berlin: Vahlen. 1914. 3 M.)
- BLAKEMORE, A. W. *Inheritance taxes in 1912 and 1913. Supplement to the inheritance tax law*. (Boston: Boston Book Co. 1914. Pp. 115. \$1.)
- BOLEN, G. L. *The whole truth about the tariff*. (Battle Creek: Phoenix Pub. Co. 1914. Pp. 252.)
- BREED, W. C. *Practical questions and answers covering the income tax law*. (New York: Irving National Bank. 1914. Pp. 18. 50c.)

CHRYSTIE, T. L. *The law and practice of inheritance taxation in the state of New York*. (New York: Banks Law Pub. Co. 1914. Pp. xxix, 890. \$6.50.)

CONTI, E. *Guide du receveur des finances*. (Paris: Berger-Levrault. 1914. Pp. 354; 334. 15 fr.)

DALE, B. *The effect of taxes on foodstuffs*. (London: Effingham Wilson. 1914. Pp. xv, 64. 2s.)

EASTMAN, F. M. *A supplement to Eastman on taxation in Pennsylvania*. (Newark, N. J.: Coney & Sage. 1914. Pp. 1101-1344. \$3.)

FILLEBROWN, C. B. *Taxation*. The national social science series. (Chicago: McClurg. 1914. Pp. 163. 50c.)

On the whole, this book succeeds admirably in its purpose to give a brief and simple exposition of the principles and practice of taxation. However, its bald statements on the shifting of taxes on intangible property do not carry conviction (pp. 81, 82) and the arraignment of the general property tax is on that account less telling than it might be.

Economists will be chiefly interested in the divergences from the orthodox single tax doctrine here disclosed by a leading exponent of that theory. He holds that taxes should be apportioned according to ability to pay, rather than according to benefits (pp. 27, 32, 40), and concedes the injustice of the single tax where land ownership represents the investment of earned incomes (p. 36). Most astonishing of all is his statement that "it would in any case be desirable to leave to the owner of land a certain interest in its rental value in order to insure efficiency and progress in management" (p. 132).

Mr. Fillebrown adheres to the so-called "fiscal school," which regards the single tax "as a measure of practical tax reform rather than as a panacea for industrial diseases" (p. 137). It seems to the reviewer that this view of the single tax has little to commend it. The confiscation of existing land values which the single tax involves can be defended only if it can be shown that the single tax is an efficacious remedy for social ills; it cannot even be condoned if indulged in merely, or even chiefly, for fiscal reasons. Mr. Fillebrown's proposal of a "gradual levy" (p. 130), if anticipated, would result in only a slight diffusion of the loss, for by far the larger part would in any event fall upon existing owners; and his assertion that no confiscation is involved, since only privilege is taxed (p. 134), merely begs the fundamental question as to the extent of unearned increment in land values, or at best, rests on the blind hope that the rate would not be so high as to reach that portion of land values which may be the result of individual effort.

O. C. LOCKHART.

FOOTE, H. M. *An analysis and interpretation of the federal income tax law*. (Washington, D. C.: W. F. Roberts Co. 1914. Pp. 73. \$1.50.)

- FOSTER, R. *A treatise on the federal income tax under the act of 1913*. (Rochester, N. Y.: The Lawyers Co-operative Pub. Co. 1914. Pp. xxvii, 1026.)
- GRAHAM, J. C. *Taxation (local and imperial) and local government*. Fourth edition, revised and enlarged by M. D. WARMINGTON. (London: King. 1914. 3d.)
- HELFFERICH, K. *Germany's economic progress and national wealth 1888-1913*. (New York: Germanistic Society of America. 1914. Pp. vii, 124.)
To be reviewed.
- HENDERSON, E. H. *Income tax puzzles; revised and selected answers to questions arising under the United States income tax law*. (Chicago: G. F. McKiernan & Co. 1914. Pp. 197. \$1.)
- HOEPPE, A. *Zur Geschichte und Beurteilung der Papierzölle im Zolltarif von 1902*. Münchener volkswirtschaftliche Studien, 129. (Stuttgart: Cotta. 1914. Pp. viii, 80. 3.50 M.)
- KLEIN, S. *Der Tabakzoll seine Erhebung und Rückvergütung*. (Berlin: Bennisson & Ehrlich. 1913. Pp. iii, 244. 2.50 M.)
- KOCH, W. *Gemeindesteuergesetz für das Königreich Sachsen vom 11. Juli 1913*. (Leipzig: Rossberg. 1914. Pp. viii, 290. 5 M.)
- LISSNER, J. *Die Zukunft der Verbrauchssteuern in Deutschland*. Finanzwissenschaftliche Zeitfragen, 9. (Stuttgart: Enke. 1914. 2 M.)
- MAGRATH, J. W. *The federal income tax*. Second edition. (New York: Walters & Mahon. 1914. Pp. 242.)
- MANN, F. *Der Marschall Vauban und die Volkswirtschaftslehre des Absolutismus*. (Munich: Leipzig: Duncker & Humblot. 1914. 12 M.)
- MURRAY, R. *Le nozioni dello stato, dei bisogni pubblici e dell'attività finanziaria*. (Florence: G. Carnesecchi e figli. 1913. Pp. viii, 567. 10 l.)
- O'FARRELL, H. H. *The Franco-German war indemnity and its economic results*. (London: Harrison & Sons. 1913. Pp. x, 80.)

Norman Angell's chapter on The Indemnity Futility in his *The Great Illusion* is the starting point for this book, and his deductions concerning the economic consequences of the Franco-German war indemnity are subjected to close scrutiny and analysis. Mr. O'Farrell traces the process by which the huge "war-fine" of \$1,000,000,000 was paid by France between June 1, 1871 and September 5, 1873, gives the details of its expenditure by Germany, and then discusses the economic results. It seems plainly incorrect, he says, to regard the disasters which followed in Germany as entirely, or even mainly, due to the receipt of the French indemnity; and France was spared the full effects of what was in reality a world-wide depression partly, indeed, because the floating of the

two war loans had absorbed much French capital, but also in great measure in consequence of the recent opening of the Suez Canal.

He makes clear, however, the distinction between a predatory exaction in the nature of a ransom and a loan for productive purposes bearing interest. In the first case the injury would reverberate throughout the entire community, returning in due force upon the victor; in the other there is no "reverberatory shock." In the first case the productive forces of the community have been injured; in the second they have been stimulated. Mr. O'Farrell arrives in the end, although by a different path, at a conclusion substantially in agreement with Mr. Angell, and predicts that when other motives have ceased to impel nations to war, the desire for loot and ransom will have long been inoperative as a stimulant to military enterprises. To make the operation remunerative in the case of a struggle of even moderate duration between modern communities tolerably equally matched in point of military strength, he says, the ransom would ultimately have to be fixed so high that it would trench upon the capital of the conquered nation; and the difficulties of compelling payments, as well as the shock to international credit, would be enormously increased. The book contains a good bibliography and will doubtless serve to stimulate further research on the subject.

GEORGE W. NASMYTH.

PERRIN, J. W. *History of the Cleveland sinking fund of 1862* (Cleveland, O.: Arthur H. Clark Co. 1913. Pp. 68. \$2.50.)

A careful account is here given of an interesting experiment in municipal finance by the city of Cleveland which continued for just fifty years. In 1862 a sinking fund was established to pay off the water bonds which had been issued in 1854 and ran for some thirty years. The fund was to consist of certain railroad stocks for which the city had subscribed with city bonds between the years 1846 and 1851, and which were still in its possession. Its management was entrusted to a co-optative board of five commissioners, who were to serve without compensation and who were given liberal authority to invest the income and principal of the fund according to their best judgment. So successfully did the board do its work that by 1878 the original fund of \$361,377 had been swelled to \$2,109,357. By 1881 the whole amount of water bonds, aggregating \$925,000, had been paid off, and the fund began to be used for other public purposes. Streets were repaved, part of the city's debt was paid, a bridge was constructed, and the fire department extended, but the largest amount—just half of all—was used for park purposes. On June 30, 1913, after an existence of half a century the board made its last report, showing a total expenditure during that period of \$4,636,370.

Dr. Perrin concludes that this experience "shows conclusively what may be accomplished by municipalities if their funds are invested under a wise and conservative management" (p. 23). But few cities could count upon such wise and loyal devotion to the

city's interests, or upon a recurrence of such large gains from the rapid economic development of the state, which seemed to bestow a Midas's touch upon all transactions of the board. It is, however, an inspiring object lesson in the midst of the all too frequent misuse of municipal funds.
E. L. B.

RITTER, R. *Die Wehrsteuer in der Praxis*. (Frankfurt: Hermann Minjon. 1913. Pp. 62. 1 M.)

SELIGMAN, E. R. A. *Essais sur l'impôt*. Volume II. Translated by L. SURET from the eighth American edition. (Paris: Giard & Brière. 1914. Pp. 618. 30 fr.)

SENTUPERY, L. *Nos impôts et les principes républicains*. (Paris: Comité Central d'Etudes et de Défense Fiscale. 1914.)

SIEGFRIED, B. *Repetitorium der Finanzwissenschaft*. (Bern: Stämpfli. 1914. Pp. 98. 3 M.)

TAUSSIG, F. W. *The tariff history of the United States*. Sixth edition revised, with additional material, including a consideration of the tariff of 1913. (New York: Putnam. 1914. Pp. 465. \$1.75.)

VERINDER, F. *Land, industry and taxation*. The people's books, no. 121. (New York: Dodge Pub. Co. 1914. Pp. 94. 25c.)

This tiny volume presents clearly and forcibly the case for the taxation of land values as a substitute for the present system of national and local taxation in England. A national fund raised in this way would not only set free industrial forces and abolish unemployment, but would solve the housing problem and distribute all the burdens of government in proportion to benefits.

C. C. W.

Final report of the department committee on local taxation. Cd. 7315. (London: Wyman. 1914. 1s.)

There are at present at least nine distinct grants for elementary education; the rateable value per child varies in the different areas from 52s. to 150s. The effect of the committee's recommendation will be to increase the grants to local authorities (on the 1911-12 basis) by £4,700,000.

Proceedings of the seventh annual conference under the auspices of the national tax association held at Buffalo, New York, October 23-25, 1913. (Madison: National Tax Association. 1914. Pp. 465.)

Papers of especial interest are: "Some problems of corporate taxation in New York state," by Randall J. LeBoeuf; "An equitable standard for land valuation," by Walter W. Pollock; "State taxation of banks," by Thomas B. Paton; and "Report of committee on forest taxation," by Fred R. Fairchild.

Le régime financier des colonies. (Paris: Giard & Brière. 1914. 2.50 fr.)

Catalogo de las obras que forman su biblioteca. Secciones de hacienda publica y de comercio y transporte. (Habana: Camara de Representantes. Nov., 1913.)

This volume of more than 200 pages contains the catalogue of works upon public finance, and upon commerce and transportation in the Congressional Library of Cuba. The list is a selected one, and in the interest of greater usefulness contains many titles to important periodical articles as well as to books. The 770 titles upon public finance deal with principles, history, and administrative organization, including works on all forms of taxation, public credit, public domain, and on municipal and provincial finance. There is no attempt to include works on coinage. The 724 titles on commerce and transportation emphasize tariff questions and maritime as well as land transportation. There are numerous references to the Panama canal and the Nicaragua project, but questions of diplomacy are omitted. From this section there are also omitted titles on commerce and maritime law, and on ship-building and engineering. Students in this country are likely to find especially useful the references to Cuban and Spanish literature, both official and non-official. There is an author index of 35 pages. R. F. F.

Population and Migration

In Freedom's Birthplace. A Study of the Boston Negroes. By JOHN DANIELS. (Boston: Houghton Mifflin Company. 1914. Pp. 479. \$1.50.)

The experience of the author while holder of the South End House Fellowship in Harvard University, has led him to make this study. The historical account of the growth of the negro population is concerned largely with the abolition struggle and the Civil War and Reconstruction period and contains little that is not already common knowledge. Note is made of the reaction in Boston's attitude toward the negro such as to amount to a practical acceptance "of the South's anthropological theory with respect to the race." At the same time, there has been a general endorsement of Booker Washington's point of view with regard to the negro's status and line of development.

There were in Boston proper, in 1910, 13,564 negroes and 23,115 in greater Boston. The proportion of negroes in the population of Boston proper has been uniformly two per cent for the past twenty years. The increase in population has been thus far entirely by immigration. Although there have been negroes in Boston since the earliest colonial days, yet "a native stock has as yet barely begun to get established." For the past fifty years the death-rate has been almost uniformly higher than the birth-rate. During the five-year period, 1905-1910, however, the average showed one point excess in the birth-rate. The author's conclusion is identical with that of other students of the Northern

negro, namely, that the negro population aside from immigration is barely holding its own. The causes of this high mortality are similar to those observed elsewhere, *viz.*, natural-environmental conditions and economic and social vicissitudes.

The author might have added materially to the importance of his study of genetic aggregation had he presented data relative to the proportions of males and females in the negro population together with statistics showing the excess of births or deaths for sex and age classes. In other communities studied it has been found that the mortality among negro females under thirty years of age is much higher than that of males. Is this a local or a common phenomenon throughout the North? The author's final conclusion that we may look for a diminution in the death-rate and a substantial excess of births is based on a slender foundation. Judging from the facts and figures presented, there is little prospect that any substantial increase in population through genetic aggregation will result for a generation at least.

A few points only may be noted concerning the social organization and welfare. The economic position of the Boston negro is practically the same as in other parts of the North. Two thirds of the population are in the lowest occupation groups. The advance in the industrial scale has been constantly retarded by immigration from the South. In the intermediate group comprising those in high-grade manual and clerical positions there are many negroes of both sexes employed by both white and negro enterprisers. Negroes of recognized ability have little difficulty in obtaining high-grade employment. This situation is in contrast to that in many other Northern communities where it is practically impossible for a negro to find employment of a high grade except in municipal or federal offices. Negro professional and business men are plentiful, the professional men having clients in both races. The number of property owners is large, one negro out of every eight being either a property owner or a member of a property-owning family group.

The author is optimistic regarding the industrial future of the Boston negro. His conclusion is that "in the general lines of economic betterment" the negro is advancing. This is proved by his growing desire for industrial education and the increase in property ownership. The author is sure of this conclusion notwithstanding the statement made elsewhere regarding the parasitic nature of the negro, especially in the lower occupation groups.

Economic and social conditions have produced very distinct strata among the negroes. The representatives of the older Boston stock who at the same time possess superior cultural and economic attainments hold themselves aloof from the main body of their race. On the other hand, the main body of negroes are animated with a desire for race cohesion. Such a condition is a serious obstacle to race unity.

One would expect that in Boston the negro would be more largely an integral part of the general population and that there would be a greater degree of toleration and conscious sympathy in both racial elements of the population than anywhere else in the North, yet here also one finds the persistence of race animosity and prejudice. Probably race prejudice is not so great as in the Ohio Valley, for example, but yet this prejudice according to the author has increased rather than diminished during recent years. The author's notion is that race prejudice is largely based on a feeling of the negro's inferiority and that, therefore, this prejudice will be reduced in proportion as the negro's inferiority is reduced. He notes a counter tendency to race prejudice resulting from the increase of negroes with marked ability and the consequent recognition of that ability by white people.

EDWIN S. TODD.

Miami University.

A History of Emigration from the United Kingdom to North America, 1753-1912. By STANLEY C. JOHNSON. London University Studies in Economics and Political Science, No. 34. (London: George Routledge and Sons. 1913. Pp. xvi, 387. 6s.)

After a general survey of British emigration, 1763-1912, ten more historical chapters follow whose headings are fairly indicative of their contents: Causes of Emigration, Unassisted and Assisted Emigration, the Transport of Emigrants, Immigration Restrictions, the Reception of Immigrants, the Destination of Immigrants, Land Systems Affecting Immigrants in North America (the last four mentioned deal with immigrant conditions in Canada and in the United States), Colonization Schemes, Emigration of Women and Emigration of Children. The first three of these will most interest the American reader.

The chapter on causes describes impressively the emigration-compelling poverty and the population pressure afflicting the

British Islands from the beginning of the Industrial Revolution to the latter part of the nineteenth century. It ascribes these to the phenomenal growth of British population during the early nineteenth century, to feudal changes, enclosures, agricultural depressions, famines, introduction of steam power, and to foreign industrial competition. The chapter on assisted emigration tells a wretched tale of hordes of emigrants assisted by philanthropic individuals and societies, by commercial associations, by trade unions, and by local and national governments. One instance of the scale of governmental aid cites that from Ireland alone "under the Act of 1849 and the modifying Act of 1882,—44,860 people were assisted to emigrate up to March 31, 1909" (p. 93). And yet the author asserts that the British boards "have never provided emigration assistance on an adequate scale"! (p. 94). The chapter on the transport of emigrants is a tale of horrors connected with emigrant passage before large steam vessels and large corporation control eliminated the heartless, greedy master of the small ship.

The closing two chapters give the author's opinion and present his thesis that British emigration to the colonies (and throughout the volume the author's stress is on emigration to Canada) is a source of Empire strength and that the colonies ought so to recognize it and to respond with contingents for imperial defense. American readers will be interested in his frank satisfaction over the relief of British poor rates through emigration. He cites an example "typical of many" of a Kentish parish which shipped undesirables to New York at a total cost of £14 each from "a class which burdened the rates year after year" to the amount of £20 each per year (p. 297).

The volume concludes with an imperial paean: "Colonial emigration has helped to build up an Empire . . . makes us one of the first class powers of the world" (p. 341) . . . "brings about the potential increase of Imperial riches" (p. 342) . . . "provides a multitude of outlets for the genius of expansion and capacity for government which is so fundamental a feature of the British race" (p. 343).

Two appendices follow: the first, a number of useful statistical tables; the second, a careful British emigration bibliography covering official publications of the House of Commons, articles in periodicals, miscellaneous publications, and statutes.

WALTER E. CLARK.

The College of the City of New York.

NEW BOOKS

- ANTIN, M. *They who knock at our gates.* (Boston: Houghton Mifflin. 1914. Pp. 11, 142. \$1.)
- BLASCHKO, A. *Geburtenrückgang und Geschlechtskrankheiten.* (Leipzig: Barth. 1914. 0.80 M.)
- CROMWELL, J. W. *The negro in American history; men and women eminent in the evolution of the American of African descent.* (Washington: American Negro Academy. 1914. Pp. 284. \$1.25.)
- DARMSTAEDTER, P. *Geschichte der Aufteilung und Kolonisation Afrikas seit dem Zeitalter der Entdeckungen, 1415-1870.* (Berlin: G. J. Göschen. 7.50 M.)
- DRYSDALE, C. V. *The small family system.* (New York: Huebsch. 1914. Pp. 119. \$1.)
- FORBERGER, J. *Geburtenrückgang und Konfession.* (Berlin: Sacmann-Verlag. 1914. Pp. 72. 1 M.)
- FROST, J. *Die innere Kolonisation in den Skandinavischen Ländern.* (Berlin: Parey. 1914. Pp. 77. 2 M.)
- ISCHCHANIAN, B. *Die ausländischen Elemente in der russischen Volkswirtschaft.* (Berlin: Siemenroth. 1913. Pp. xviii, 300. 7 M.)
- SALEEBY, C. W. *The progress of eugenics.* (London: Cassell. 1914. 5s.)
- WAETJEN, H. *Das Judentum und die Anfänge der modernen Kolonisation. Kritische Bemerkungen zu Werner Sombarts "Die Juden und das Wirtschaftsleben."* (Stuttgart: Kohlhammer. 1914. Pp. 72. 1.50 M.)
- Medico-actuarial mortality investigation.* Three volumes. (New York: Association of Life Assurance Medical Directors and the Actuarial Society of America. 1914. Pp. 131; 139; 219.)
- Résultats statistiques du recensement général de la population effectué le 5 mars 1911.* (Paris: Imprimerie Nationale. 1914.)
- Die Grundstücks-Aufnahme vom 15. Oktober 1910 sowie die Wohnungs- und die Bevölkerungs-Aufnahme vom 1. Dezember 1910 in der Stadt Berlin und 44 Nachbargemeinden. I. Stadt Berlin.* (Berlin: Puttkammer & Mühlbrecht. 1913. Pp. 94. 5 M.)

Social Problems and Reforms

- Housing Problems in America. Proceedings of the Second National Conference on Housing, Philadelphia, December, 1912.* (Cambridge: The University Press. 1913. Pp. xiii, 384.)
- Housing and Town Planning.* The Annals of the American Academy of Political and Social Science, vol. LI. (Philadelphia: January, 1914. Pp. vi, 296.)

Since its first congress in 1911, the National Housing Association has wisely extended its interests beyond housing legislation and enforcement. The report of the second congress includes addresses on rural and industrial housing, on types of small houses, and the means of financing their construction. The papers are in almost every case written by persons professionally interested in housing reform, and are essentially practical in character. The only intensive study or material contribution to the literature of the subject of housing is the article by Lawrence Veiller on "Room overcrowding and the lodger evil," which includes a table showing the nature of overcrowding and the public regulations and administrative methods for control of this evil in fifty American cities of 100,000 population or over. Mr. Veiller offers important suggestions for the improvement of municipal policies for repression of overcrowding.

The Housing and Town Planning number of the *Annals* was edited by Dr. Carol Aronovici. It contains thirty-six papers, of which thirteen are classified under Town Planning. To some extent this issue may be regarded as the organ of a radical group of younger housing reformers who have found the meetings of the National Housing Association too largely concerned with tenement-house regulations and with the "pathological aspect of housing." The collection of papers is comprehensive and the subjects well chosen, though the subjects of lodging houses, municipal housing, garden cities, and European experiments in housing betterments are not specifically treated. Emphasis upon the small house and upon the importance of land taxation (not touched by the National Housing Association) is continuous. The following papers stand out as important: "Cost factors in housing reform," by Carol Aronovici (a well-considered analysis); "The taxation of real estate values and its effect on housing," by Delos F. Wilcox; "Copartnership for housing in America," by Arthur C. Comey; "The town planning movement in America," by Frederick Law Olmstead (historical); "Planning for distribution of industries," by E. H. Bennett; "City-planning legislation (in America)," by Flavel Shurtleff; and "Financing a city plan," by Nelson P. Lewis.

A common criticism may be levied against the *Proceedings* and the *Annals*. Both tend to add to the already large literature of unsubstantiated generalizations.

Papers from four to eight pages in length consist chiefly in in-

roduction, intermediary platitudes, and conclusion. The unsupported reasoning of these articles is frequently suggestive and of some immediate usefulness to the housing reform. Larger results would, however, be achieved if the National Housing Association or the American Academy of Political and Social Science would devote equal effort to the promotion and publication of careful, intensive, comparative, local studies of the causes of the housing problem, and the means of their removal.

JAMES FORD.

Harvard University.

NEW BOOKS

- BEST, H. *The deaf, their position in society and the provision for their education in the United States.* (New York: Crowell. 1914.)
- BLAIKLOCK, G. *The alcohol factor in social conditions.* (London: King. 1914. 3s.)
- BUSCHING and others. *Die Wohnungsfrage in Deutschland.* (Dresden: Kühnemann. 1914. 5 M.)
- BUSSER, R. C. *The German system of industrial schooling.* (Philadelphia: Public Education Association. 1913. Pp. 63.)
- CLOW, W. M. *Christ in the social order.* (New York: Doran. 1914. Pp. 12, 295. \$1.25.)
- CUBBERLY, E. P. *Rural life and education; a study of the rural-school problem as a phase of the rural-life problem.* (Boston: Houghton Mifflin. 1914. Pp. xiv, 367. \$1.50.)
- ELLIOTT, A. W. *The cause of the social evil and the remedy.* (Atlanta, Ga.: Webb & Vary Co. 1914. Pp. 144. \$1.)
- GARDINER, E. J. *The fiftieth birthday of a model institute, 1864-1914 [Wisbech Working Men's Club].* (Wisbech, Eng.: The author. 1914. Pp. 127. 2s.)
- GAROFALO, R. *Criminology.* Translated by E. R. STEVENS. (Boston: Little, Brown. 1914.)
- GETTELL, R. G. *Problems in political evolution.* (London: Ginn. 1914.)
- HAMILTON, W. B. *A social survey of Austin, Texas.* Humanistic series, no. 15. (Austin: University of Texas. 1913. Pp. x, 89, xix.)

Some cause not arising from economic or geographic necessity must underlie the prevalence in a town like Austin of the conditions commonly looked for in the slums of large and crowded cities.

On the banks of one of its open sewers were counted seven wells within 25 feet of the bank, 122 mosquito-infested privy vaults, overhanging or within six feet, a house on stilts where fruit is

sold to the public, and one of the city's largest public schools. Garbage is put at houses in nondescript uncovered receptacles and hauled to various dumps within the city where negroes and Mexicans pick up rags, and fragments of food. Tests of milk showed that it contained about three fifths as much cream on the wagon as at the stable, and of 38 bottles only one was "any way near free from dust." On one milk route there were eleven cases of scarlet fever. Slaughter house floors are in most cases never washed; meat is hauled to market wrapped in bloody, dirty sheets, exposed to dust and flies. On a space in the Mexican quarter, 140 feet by 200, are located 30 houses, occupied by 48 families, a total of 231 persons, including 108 children. The cost of this entire property, including land is not more than \$3500; the annual rental amount is \$2520. This is not an isolated instance. The negro section does not seem to be as bad as the Mexican; many negro families own their houses.

Juries will not convict for violations of ordinances as to the milk supply even when the evidence is conclusive. The ordinances of the board of health are not approved by the council (a "commission" by the way); "the council is forced to be responsive to the opinions of certain classes of voters, so if a measure will alienate a number of influential men whose business would be affected if the health measure was passed, it would be political suicide to approve the board of health rules." Here we have an explanation of the state of things which is the chief subject of the report—not different in degree or cause, probably, from the condition of other American cities.

In this frank, careful, and intelligent report there is the beginning of a cure. There seems, however, to have been a serious degree of carelessness in the writing or at least proof-reading as indicated by plural subjects with singular predicates, omitted syllables, misplaced letters, or sentences with obviously unintended significance.

A. P. WINSTON.

HAYES, C. *British social politics*. (Boston: Ginn. 1913. Pp. xi, 380. \$1.75.)

These selections are designed to place in the hands of college and university students "some first-hand materials for the study of current social and political problems." They consist of annotated extracts from the debates in Parliament, since 1905, relating to ten different pieces of significant social legislation. They illustrate, with respect to each bill, different positions taken by the different parties, and sometimes by different elements of the same party; they include also the essential portions of the act as it passed.

To have heard all these debates from the gallery would have been of absorbing interest to any student of modern politics. The idea of the book is thus a happy one, and could hardly have been better carried out. But only a teacher well acquainted with the British constitution, with the traditional differences between parties and social classes, and with the relative significance of different

men, can bring students to see, through the medium of this book, how a nation is grappling comprehensively with her social problems. That a nation can attack these problems "all along the line," by a comprehensive social program, is an idea well worthy of being enforced. That the British program finds so little room for what we call "education," however, is a constant marvel to an American, and the book before us would have been better suited to its purpose if selections relative to some British education bill had been included.

CARL E. PARRY.

KELLEY, F. *Modern industry. In relation to the family, health, education, morality.* (New York: Longmans. 1914. Pp. 147. \$1.)

MALLOCK, W. H. *Social reform as relating to realities and delusions. An examination of the increase and distribution of wealth from 1801 to 1910.* (London: Murray. 1914. Pp. 404. 6s.)

McKIRDY, J. *Liquor laws of Pennsylvania, completely annotated.* (Philadelphia: T. J. Donaghy. 1914. Pp. 98. \$1.25.)

MORLEY, E. J., editor. *Women workers in seven professions. A survey of their economic conditions and prospects.* (London: Routledge. 1914. Pp. 334. 6s.)

PICHT, W. *Toynbee Hall and the English settlement movement.* Translated from the German. (London: Bell. 1914.)

SMAIL, J. C. *Trade and technical education in France and Germany.* (London: King. 1914. 1s.)

THOMPSON, F. E. and others. *Rating, placing, and promotion of teachers; educational surveys; list of educational investigations.* (Chicago: University of Chicago. 1914. Pp. 82, 11.)

VEBLEN, T. *The instinct of workmanship, and the state of the industrial arts.* (New York: Macmillan. 1914. Pp. viii, 355. \$1.50.)
To be reviewed.

WELLS, H. G. *Social forces in England and America.* (New York: Harper. 1914. Pp. 414. \$2.)

WEST, T. D. *The efficient man.* (Cleveland, O.: Gardner Pr. Co. 1914. Pp. 330. \$2.)

Conference on commercial education and business progress. (Urbana: University of Illinois. 1913. Pp. 157.)

Insane and feeble-minded in institutions, 1910. Bulletin 119. (Washington: Bureau of the Census. 1914. Pp. 99.)

National society for the promotion of industrial education. Bulletin 18: *Proceedings seventh annual meeting, October 23-25, 1913.* Bulletin 19: *The selection and training of teachers for state-aided industrial schools for boys and men (Special report).* (New York: 1914. Pp. 261; 112.)

Prisoners and juvenile delinquents, 1910. Bulletin 121. (Washington: Bureau of the Census. 1914. Pp. 130.)

Report of departmental committee on housing conditions of the working classes in the city of Dublin. Evidence. Cd. 7273; 7317. (London: Wyman. 1914. 1s. 6d.; 4s.)

Report of the commission to investigate drunkenness in Massachusetts. House doc. 2053. (Boston. 1914. Pp. 42.)

Social problems in Wales. (London: Student Christian Movement. 1914. Pp. 163. 1s.)

Housing problems in America. Proceedings of the third national conference on housing in America. (New York: National Housing Assoc. 1914. Pp. 365. \$2.)

Insurance and Pensions

NEW BOOKS

FRATZSCHER, A. *Landwirtschaftliche Versicherung (Hagel- und Fiehversicherung).* Versicherungs-Bibliothek, 5. (Berlin: Mittler. 1914. Pp. ix, 167. 1914. 4 M.)

DAWBARN, C. Y. C. *Workmen's compensation practice. Reprinted from the annual county courts practice.* (London: Sweet & Maxwell. 1914. 5s.)

HANSEN, C. M. *A brief treatise on schedule rating for workmen's compensation insurance.* (New York: L. W. Lawrence. 1914.)

HUBBARD, B. V. *Casualty inter-insurance exchanges do not protect either the employer or employe.* (Chicago: Regan Printing House. 1914. Pp. 84. \$1.25.)

KAHLO, E. *Vergleichende Zusammenstellung der Versicherungsbedingungen und Prämiensätze der im Deutschen Reiche arbeitenden Lebensversicherungsgesellschaften.* (Berlin: Mittler. 1914. Pp. 63, 60. 1.50 M.)

LANDIS, A. *Life insurance; a review of the business as conducted by friendly societies, fraternal orders, life companies, and industrial companies and open assessment associations, and history of the five kinds of organizations.* (Nashville, Tenn.: Brandon. 1914. Pp. 365. \$10.)

VON LIEBIG, E. E. *Die Transportversicherung.* Vol. I. *Die Seeversicherung. Systematische Darstellung des Seeversicherungswesens.* (Berlin: Guttentag. 1914. Pp. viii, 226. 6 M.)

OTIS, S. L. *Manual of compensation and liability insurance; rules and rates for Connecticut.* (New York: L. W. Lawrence. Pp. xxiii, 36. \$2.)

POHL, K. *Die Anfänge des deutschen Lebensversicherungswesens.* (Berlin: Puttkammer & Mühlbrecht. 1914. Pp. x, 102. 3 M.)

RICHARDS, J. T. *National health insurance.* Fourth edition. (London: Pull. 1914. 6d.)

SCELLE, G. *A propos de l'établissement du monopole des assurances en Uruguay.* (Paris: Giard & Brière. 1914. Pp. 44. 1.50 fr.)

SEELMANN. *Formularbuch für Versicherungsämter.* (Altenburg, S.-A.: Geibel. 1914. Pp. 152. 4 M.)

Chart of the national health insurance acts. (London: Pitman. 1914. 1s.)

Policy clauses, conditions and state laws. Corrected to January 1, 1914. (Chicago: Spectator Co. 1914. Pp. 194. \$1.)

Pauperism and Charities

NEW BOOKS

BOSANQUET, H. *Social work in London, 1869-1912. A history of the Charity Organisation Society.* (London: Murray. 1914. Pp. 375. 8s.)

BROWN, J. C. *The cure for poverty.* (London: Paul. 1914. 5s.)

BUETTEL, M. *Die Armenpflege zu Frankfurt a.M., mit besonderer Berücksichtigung der Kinderpflege im 18. und 19. Jahrhundert bis zum Eintritt der neuen Armenordnung im Jahre 1883.* (Frankfurt A.M.: Koenitzer. 1913. Pp. 172. 1.50 M.)

DONAHOE, J. *The scope of charity for Catholic charity workers.* (St. Paul, Minn.: J. A. Welch Co. 1913. Pp. 87. 35c.)

FOSS, W. and WEST, J. *The social worker and modern charity.* (London: Black. 1914.)

HEFFNER, W. C. *History of poor relief legislation in Pennsylvania, 1682-1913.* (Cleona, Pa.: Holzapfel Pub. Co. 1913. Pp. 302. \$1.)

This study, presented to the University of Pennsylvania, is one of the theses for the doctorate in philosophy which deserve to be in print; for the story it tells, while simple and given to details, is yet useful to the persons, of increasing number we hope, who would lessen unnecessary experimenting in public aid and charity by learning all possible lessons of experience. This book touches on such matters as the old yet new question of large versus small poor law areas; the over-pressing pettinesses of settlement; dangers of granting public money to private agencies; the effects of immigration. The experiences of many states, in such matters, would give the material for a valuable comparative study. J. R. B.

WITHERS, H. *Poverty and waste.* (London: Smith, Elder. 1914. 3s. 6d.)

Paupers in almshouses, 1910. Bulletin 120. (Washington: Bureau of the Census. 1914. Pp. 99.)

Poverty in Buffalo when work was plentiful. Thirty-sixth annual report of the Charity Organization Society of Buffalo. (Buffalo: The Society. 1913. Pp. 79.)

Socialism and Co-operative Enterprises

Le Syndicalisme et la Prochaine Révolution. By DUFOUR. (Paris: Librairie Marcel Rivière et Cie. 1913. Pp. 426. 6 fr.)

M. Dufour's book is an interesting attempt to present a systematic and comprehensive statement of syndicalism in its economic and revolutionary aspects. The author's starting point is that both Europe and America are on the eve of an economic revolution which will do away with private property and with the private management of industry and which will substitute instead social property and the control of industry by *syndicats* (labor unions).

The book is divided into four parts. The first part finds the cause of the coming revolution in the inner contradictions of modern industry. Machine production has made possible two great advantages: shorter hours and greater returns; yet the workers are deprived of these advantages by the employers, who have absolute control of industry.

The second part considers the process by which the coming revolution is being prepared as an inevitable result of industrial development. Machine production has as one of its results the evolution of syndicalist organizations. The *syndicats*, the labor exchanges (*bourses du travail*), the national trade unions, the "General Confederation of Labor" carry on the struggles of the workers for better conditions and gradually transform not only the material conditions of life but the mentality of the workers. In the struggles of every day the workers develop their own ideas in opposition to the state, army, patriotism, and all other existing institutions, and become ever more imbued with the desire of sweeping them away. The author recognizes that this revolutionary consciousness does not penetrate the minds of the majority of the working class, but he is convinced that a conscious minority will be able to carry out the revolutionary program.

The third part of the book is a description of those economic forms which will take the place of the existing system. The author spares neither time nor words in describing in detail how the *syndicats*, the *bourses du travail*, and the other syndicalist organizations, will correlate production and consumption, determine the cost of production and wages, regulate the hours of work, fix prices, etc. This treatment of a problematical future is free from the usual utopian beatific visions.

The fourth part describes the process of the revolution which,

in his opinion, is most likely to occur during a general European war. The first phase of the revolution will be the declaration of the general strike, a wide application of sabotage, the disorganization of the army, the capture of the state powers, etc.; the second phase will consist in the reorganization of the means of communication and transportation and in the establishment of syndicalist authority throughout all industries.

M. Dufour, who is an ex-professor of political economy presents his subject in an abstract and dialectical form which suggests the method of Proudhon. His dialectical powers, however, are comparatively slight, and he does not succeed in convincing the reader that the revolution *is* inevitable and that it *must* develop in the manner in which he describes it. The book remains what it is said to be in the announcement accompanying it—a “didactic work” on syndicalism and on the ideas of the revolutionary movement. In considering its contents, it should be remembered, however, that many of the ideas expressed in it are the private views of the author who has no authority (in so far as I know) to speak for the French syndicalists.

LOUIS LEVINE.

New York City.

NEW BOOKS

BEER, M. H. *A history of English socialism*. Two volumes. (London: Bell. 1914.)

DE BRIEY, R. *Essai sur l'association du capital et du travail par l'actionnariat ouvrier*. (Paris: Rivière. 1914. 2.50 fr.)

CARPENTER, C. *Industrial co-partnership*. (London: Co-partnership Pub. Co. 1914. Pp. 51. 1s.)

CLARK, J. B. *Social justice without socialism*. (Boston: Houghton Mifflin. 1914. 50c.)

FAY, C. R. *Co-partnership in industry*. Cambridge manuals of science and literature. (New York: Putnam's. 1913. Pp. 146. 40c.)

Sketches of some of the experiments, successful and otherwise, in the field of co-partnership. A brief history of the coöperative movement in England together with detailed descriptions of the establishments of Godin, Leclaire, and Lever Bros. Ltd., and some that are not so well known. No conclusions are drawn. It is written in good form and conveys much detailed information. It is a good book for those who want a most brief treatment. J. L. L.

HENRY, R. A. *Le socialisme et l'art de commander dans l'industrie*. (Paris: Gauthier-Villars. 1914. Pp. iv, 272. 3.50 fr.)

KIPPER, J. *Die sozialistische Jugendbewegung in Deutschland*. (M. Gladbach: Volksvereins-Verlag. 1913. Pp. 41. 0.60 M.)

PRICE, L. L. *Coöperation and co-partnership*. The nation's library, 8. (London: Collins' Clear-type Press. 1914. Pp. 264. 1s.)

The problem originated in the Industrial Revolution when the capitalist and the laborer were divided into classes. The Malthusian theory and Mills's forecast of 1848 led thinkers to believe that the position of the laborer was hopeless and this was further strengthened by the Iron Law of Wages. Under the theory of the distributive processes of rent, interest, wages, and profits, there was conflict between the classes for their share, labor coming more and more to demand preference. Coöperation and copartnership were calculated to remove the grounds for complaint, but have not been unqualifiedly successful. The coöperative and copartnership systems that are practiced successfully in England are described: The Rochdale Plan, The Wholesale Society, Coöperative Production, and Coöperation in Agriculture. These have served to modify the wages system.

J. L. L.

"A RIFLEMAN." *The gathering storm. Being studies in social and economic tendencies*. (New York: Lane. 1913. Pp. vi, 297.)

The author of this volume rides roughshod over the pet theories of both the radical and the conservative. He is dogmatic in the extreme and uses his firearms indiscriminately on Christianity, socialism, capitalism, trade unionism, and all schools of political economy, yet his work is well written, stimulating, and of considerable merit. The first half of the book is a sketch of social evolution, from the point of view of economic determinism, the chief fault of which is that the author's theories are all treated as established facts. Then follows a discussion of certain economic "laws" which are fundamental in civilized society. All accepted theories of value from Marx to Marshall are completely refuted, but the theory of the class struggle is accepted. Next, socialism and all of the immediate aims of the labor movement are shown to be absolutely hopeless of realization. A civilization, according to the author, always passes through three periods, the formative period, the period of maturity, and the period of decadence.

In a short final chapter the real thesis of the work is reached. Western civilization is approaching the final struggle of the formative period, an epoch of tremendous wars and furious industrial upheavals which will be the birth throes of the brilliant but short period of maturity, a great capitalist world empire. In the victory of capitalism, the theory of socialism will be accepted by the ruling class as was Christianity under Constantine, in an emasculated form. Wage slavery, which the author believes is as bad as chattel slavery, will be softened and the lot of the workingman improved. Then when there are no more wrongs to be righted the period of decadence will begin.

There are very few notes or references, and the index is so inadequate as to be an aggravation.

GEORGE LOUIS ARNER.

- VAIL, C. H. *Militant and triumphant socialism*. (Chicago: Co-operative Pr. Co. 1913. Pp. 143. 50c.)
- WANINGER, K. *Der soziale katholizismus in England*. (M. Gladbach: Volksvereins-Verlag. 1914. Pp. 139. 1.85 M.)
- WEISENGRUEN, P. *Die Erlösung vom Individualismus und Sozialismus*. (Munich: E. Reinhardt. 1914. Pp. viii, 306. 5 M.)
- WILLIAMS, A. *Copartnership and profit-sharing*. Home university library of modern knowledge, 77. (New York: Holt. 1913. Pp. 256. 50c.)

This book has been written with the intention of providing a useful general idea of the movement toward copartnership and profit-sharing. Copartnership admits the workers as partners to have a voice in the management and a share in the profits. Profit-sharing divides profits with the workers but gives no voice in the management. Both aim toward a better basis of production and distribution. Many instances of both methods are cited in England, France, and the United States; some of them, especially the establishments of Godin and Leclaire, Lever Bros. Ltd., Nelson Manufacturing Company, and Proctor & Gamble, are described in some detail. Trade unions will still exist under profit-sharing schemes, for they must still have power to ask for standard district rates, but the worker is liable to lose his interest in his class. It is a movement to transform capitalism into a form of coöperation and thus eliminate the class struggle. It is not a panacea for all industrial ills but goes far toward relieving the inequalities of the present industrial system.

This is an excellent book and maintains careful distinctions throughout between coöperation, copartnership, and profit-sharing—three terms that are often confused. The descriptions of the experiments, while brief, are thorough. It is a handbook of the subject in every sense of the term.

J. L. LEONARD.

- The Socialist party of the United States*. (Chicago: National Office, Socialist Party. 1914. Pp. 98. 25c.)

Statistics and Its Methods

NEW BOOKS

- HOFFMAN, F. L. *The statistical experience data of the Johns Hopkins Hospital, Baltimore, Md., 1892-1911*. (Baltimore: Johns Hopkins Press. 1913. Pp. 161. \$2.)

Includes a list of works on "the importance of disease registration and the practical utility of institutional and other morbidity records as an aid towards the more successful solution of the pressing problems of labor, social service, medicine, public health, and insurance."

- BOLDUAN, C. F. *Hospital morbidity statistics. A practical method of making them uniform and preparing them for analytic study*. (New York City: Dept. of Health. 1913. Pp. 9.)

LAIDLAW, W. *Statistical sources for demographic studies of greater New York*. Two volumes. (New York: N. Y. Federation of Churches. 1913. \$500.)

VIRGILII, F. *Statistica*. Sixth edition revised. (Milan: Hoepli. 1914. Pp. xx, 228. 1.50 l.)

The New Zealand official year-book, 1913. (Wellington: Government Statistician. 1913. Pp. 987.)

Gives information concerning the occupations of the people as ascertained by the census of 1911. There are more detailed tables on orphanhood and some new figures in regard to the natural increase. The trade section gives new diagrams dealing with (1) trade per head of population, (2) the proportion per cent of various articles of export in 1892 and 1912, (3) exports of wool and frozen meat, and (4) exports of butter and cheese.

DOCUMENTS, REPORTS, AND LEGISLATION

Industries and Commerce

A CHAMBER OF COMMERCE FOR THE NATION. The Chamber of Commerce of the United States of America has been organized for about two years and has become a recognized factor in the nation's commercial life. It has a membership of over 580 commercial organizations, which includes a good part of the really live associations out of the 6,000 or so in the country, and a steadily growing individual membership of more than 2,300; it has well-appointed offices in Washington; is increasing daily in size and influence; and has apparently the brightest prospects for becoming permanently recognized as the authorized representative of American business.

Whatever development the chamber may attain will very probably be due to its increasing use as a channel for the transmission of the business opinion of the country to the government and to the public generally. This need has long been felt among business men. While separate voices in plenty might be raised in defense of or in protest against a governmental policy and while the general feeling among business men might make itself felt unmistakably in various ways on particular occasions, there was no agency authorized to speak definitely for the business world as a whole, and the force of business opinion was consequently weakened through diffused expression. Moreover, the officials of the government were often at a loss to tell just how the country's business men felt as to a particular policy. There have been times when deputations from neighboring cities in the same state came to the Capitol urging opposite views of the same bill before Congress. It was this situation, in part, which led President Taft, in March, 1912, to sign a statement calling attention to the benefits to be derived from a chamber of commerce for the whole nation and which influenced the Secretary of Commerce and Labor to issue a general invitation to commercial associations to send representatives to a conference at Washington. That there was already much dormant interest in such a plan was shown by the responses from all parts of the country; and at the conference in May some 400 organizations were represented. Launched with much enthusiasm the chamber developed as rapidly as circumstances permitted and by September began issuing its periodical publications. The ensuing two years has seen a steady addition to the membership and the interest and enthusiasm that attended the beginning have been more than maintained. The directors at the outset recognized that the regular dues

would not bring in sufficient funds to keep the organization going until it became well established, and so set out to raise \$100,000 as a foundation fund. Up to the end of 1913 they had obtained over \$53,000. The organization, however, is not yet on its financial feet, as last year closed with a deficit of \$10,500; but it is calculated that by the end of 1914 the regular sources of revenue will be sufficient to pay all expenses.

In the beginning it was proposed to confine the membership strictly to commercial organizations, but for various reasons this rule was changed a year ago and individuals or business firms are now admitted. They must, however, be members in good standing of one of the commercial bodies in the chamber. They receive all the regular publications, may avail themselves of the facilities of the national headquarters, are eligible for all standing or special committees, and have the privileges of the floor at all meetings of the chamber, but may not vote except as delegates from an organization member. The total number of individual members is now limited to 5,000 and these are apportioned among the various commercial organizations, each of which may exceed its allotment only in case others have not filled out their own complement.

Naturally the work which the chamber is doing and will do centers around the leading purpose for which it was created; but as supplementary to that it performs something of the same service on a national scale as the local chamber of commerce does in its particular community. The activities of the chamber may, accordingly, be divided into three main lines of endeavor: (1) Furnishing an adequate method by which the business opinion of the whole country on various measures of national prominence, especially those embodied in legislative bills, may be ascertained and made effective; (2) acting as a channel for all sorts of information which would be useful to its different members; and (3) serving as a medium by which the business interests of the country may work together in extending the foreign trade. So far, however, the first two of these propositions have received most attention. The extension of foreign trade is already covered to a certain extent by the consular service and by the work of one of the large bureaus of the government, and the other two lines will form a very convenient foundation on which to base later endeavors of this nature.

The method by which the attitude of American business is determined on any particular subject is a referendum vote. While the chamber contains only some 50 per cent of the commercial bodies which it might profitably include, the members are widely scattered,

representing forty-seven states (all except New Mexico), Hawaii, Porto Rico, and the Philippines, and American commercial interests in France and Turkey through American chambers of commerce in Paris and Constantinople. The opinions of these bodies may thus reasonably be taken as representative of those of American business men in general. Any question may be proposed for a referendum vote by any member but it must be passed on by the board of directors before being sent out. If the board decides that the question is a national one and is suitable in other respects, the general secretary at Washington prints the question in pamphlet form, together with full arguments for and against and sends it out to each member. Each commercial organization is entitled to as many votes as the number of voting representatives it is permitted to send to the annual national meeting, determined by the size of the body according to a certain specified scale, but with a maximum of ten. After the question is clearly put, a straight vote of "yes" or "no" is required, so there will be no chance of confusion as to the general attitude through the expression of minor shades of opinion. The votes must all be in within forty-five days after the time the question was submitted; and if by that time one third of the voting strength has expressed its opinion and two thirds of the vote cast, representing at least twenty states, is favorable to the proposition, the will of the chamber is registered in the affirmative and the board of directors is authorized to make the action effective.

Some of the questions considered are complicated and on two or three occasions have been divided into different sections so that members would have a chance to express their views more accurately than by voting on the proposition as a whole. It is very likely that this will become the rule with most questions submitted. So far seven referenda have been held, the subjects of which were as follows: A national budget, a permanent tariff commission, the provision in the sundry civil appropriation bill exempting labor unions and agricultural societies from prosecution under the Sherman anti-trust law, the various provisions of the banking and currency bill, the proposed reorganization of the Bureau of Foreign and Domestic Commerce of the Department of Commerce, the establishment by Congress of a bureau of legislative reference and bill drafting, and the establishment of an interstate trade commission. The vote on all these propositions except the last was practically unanimous, and was affirmative in all except the third. At this writing an eighth referendum is being held, dealing with various features of anti-trust legislation.

The effect of these referenda has been somewhat difficult to measure. Definite action has followed two of them, that on the currency bill and that on the reorganization of the Bureau of Foreign and Domestic Commerce. The representatives of the chamber were enabled through the former to appear before the Senate committee giving hearings on the bill, and several changes which they advocated were made; results in the case of the latter depend largely on the action of the Senate on the pending appropriation bill, but minor suggestions made to Secretary Redfield have been acted on. The lack of immediate results, however, is not taken as indicating the ineffectiveness of a referendum, but the emphatic rendering of an opinion is considered as having a standing influence which may result in legislation after several years.

Some observers of the movement think that the most effective service to be performed by the chamber lies not in ascertaining and registering the attitude of its several members but in helping them in the furtherance of their particular ends. These ends are many and various and include a host of activities such as would naturally come under the head of everybody's business in general and nobody's in particular. So far each board of trade or commercial club has had to work out its own problems, with the aid of such suggestions as it could get by corresponding with other organizations in similar situations. The Chamber of Commerce of the United States will attempt to regulate this interchange of information and act as a clearing house for whatever knowledge is available on any particular subject. Whatever the commercial bodies of Indianapolis or Detroit may have learned in conducting trade-extension trips or in adding a manufacturing section to the city *en bloc*, can immediately be made available for the use of every organization in the country contemplating similar work. Such information is published regularly; and the chamber will also collect special and detailed data which may be requested by any member. The existence of an active and well-informed agency for the answering of any question connected with the work of a civic or commercial association will undoubtedly be of immense benefit; although the regular service, by which such information is placed constantly on the tables of commercial clubs, will doubtless form the main bulk of the work of this character.

At present two separate mediums are at work as the information carriers of the chamber. These are a monthly magazine called appropriately *The Nation's Business* and a regular bulletin service to members of the organization. The magazine is a large, readable publication with an excellent make-up, usually of about 16 pages, containing information on scores of subjects of interest to business men. At least

one page in each issue is devoted to the activities of commercial clubs, and such subjects are elaborated as occasion demands. Matters of foreign trade receive considerable attention and there are frequently notices of publications by the government, reviews of the work of federal bureaus, the scope of which is very imperfectly known by the country at large, and articles relating to the general work of the chamber itself. Perhaps the chief function of the magazine, however, is to keep its readers thoroughly informed concerning the questions affecting business that occupy the center of the national stage. The various phases of the currency question received ample discussion, and articles were published from Representative Carter Glass, Senator Owen, Joseph T. Talbert, John Perrin, and others, going thoroughly into the whole question and giving analyses of proposed provisions. Other questions have been handled adequately though less fully. Articles by officials have appeared: on the consular service, by Secretary Bryan; on the Department of Commerce, by Secretary Redfield; on the Department of Labor, by Secretary Wilson; on the valuation of railroads, by C. A. Prouty; on the safety-at-sea conference, by Commissioner of Navigation Chamberlain. These are all highly informative; and the contents of the magazine as a whole impress one as being very pertinent and valuable material presented in a lucid and readable manner. The influence of this magazine reaches farther than the membership of the chamber as it goes also to the editorial desks of the various newspapers of the country, where the information presented is most quickly molded into public opinion.

The bulletin service consists of two separate series of regular bulletins, the general and the legislative service. The former is a series of notices telling what information is available and where it may be obtained. The various departments of the government are constantly turning out a great volume of information, the result of the thorough labors of trained investigators, dealing with most widely varying subjects. The problem of the distribution of this information to the people with whom it will be most effective is almost as great a one as the actual securing of the data. A large amount of invaluable data, obtained at considerable expense, has accordingly only a limited range of circulation. It is the purpose of the bulletin service to put business men and organizations in touch with this governmental research work and to keep the knowledge of current achievements regularly before the business man's eye. This is accomplished through weekly bulletins, with special bulletins whenever occasion arises. These go only to members and are intentionally brief,

giving notices of new publications issued by the government, meetings of various associations of national importance, announcements of decisions by the Interstate Commerce Commission and other bodies, and many other matters. There is abundant evidence that the service performed by these bulletins is highly valued.

During the sessions of Congress still another important service is performed, the distribution of weekly reports on the large number of bills pending in Congress which are likely to be of interest to business men. Once a month a bulletin is printed giving a complete list of these bills with a short paragraph explaining the nature of each. This is followed by a weekly report giving the status, whether changed or not, of each bill. In this way interested persons or firms may see what bills have been introduced which will affect them, may obtain copies of these bills, and may follow their legislative progress. It needs no argument to show of how great benefit this will be to business men generally; and it is, moreover, a benefit which could be obtained in no other way except at an expense so great as to put it out of the question with the vast majority.

In the third line of possible endeavor, that of extending foreign trade, the Chamber of Commerce has a field of immense possibilities. As conditions are now, a house that finds it advisable to seek a market abroad must depend for its investigation of openings in the foreign field on either the consular service or the Bureau of Foreign and Domestic Commerce, or on its own independent efforts. It must solve for itself the new problems that arise and take the success of its venture largely into its own hands without material support from national or other organizations interested in the same field. This condition has resulted in a rather haphazard sort of trade, with many brilliant successes because of American enterprise and the general superiority of American goods, but it has resembled more a series of skirmishes and charges than the studied movement of a whole army. It is true that American foreign trade has mounted up to imposing figures, annual exports having totaled more than \$2,000,000,000 since 1911. But half of this has consisted of raw materials; and these, with many manufactured goods, sell largely as it were by their own weight. And, moreover, large as the total is, it is incidental by the side of the vast volume of internal exchange, with which our manufacturers are chiefly concerned. It is not strange, therefore, that the coöperative effort for the extension of our foreign commerce has been so long delayed. The Chamber of Commerce of the United States, representing the united commercial interests of the country at home, can very efficiently act

as the instrument of their united strength abroad, and perform for all American exporters something of the service now rendered to certain great corporations by their selling organizations in foreign countries.

Germany is, of course, the country which comes to mind immediately in connection with an organized extension of foreign trade; and it is in Germany that commercial organizations have set the pace in doing this work. There are, however, two vital points of difference between Germany's situation and our own. One is that Germany's prosperity depends so largely on having an outlet for her energies and her products in foreign trade, while with us foreign trade very often serves simply as an overflow basin for the disposal of a temporary surplus in production. When our factories enlarge their productive capacity to such an extent that the slackening of the domestic demand leaves them with surplus stock, they seek to "dump" their extra production on foreign markets, often at otherwise unprofitable prices. One well-known result of this is the Canadian "dumping" duty, enacted specifically to guard Canadian manufacturers against this practice of Americans. The other point of difference is that German commercial organizations are semi-official in character and the government is closely connected with their activities. The Chamber of Commerce of Hamburg, for instance, must report on trade and shipping interests to the Hamburg authorities, and holds certain appointive powers in connection with duties, taxes, emigration, trade schools, etc. It need hardly be said that any such connection between government and business would be impossible in this country at any time, and most especially so at a period like this when one of the most prominent features of American politics is the jealous watchfulness of the people on that very point.

The Chamber of Commerce, therefore, has no idea of setting up the successful work of similar bodies in Germany as a pattern, both because the primal impulse is lacking and because the important feature of government coöperation as found there is impossible here. Moreover, the United States already covers the foreign field to a certain extent with its 300 odd consular offices and the Bureau of Foreign and Domestic Commerce, which has special agents touring all parts of the world and reporting on special lines of trade. Still there are many things which such a body as the Chamber of Commerce could do very conveniently and which it will doubtless attempt as its field of service gradually widens. It could take the initiative in forming American chambers of commerce abroad and

working in coöperation with them. One is already established in the Levant with a large membership and another in Paris, both members of the Chamber of Commerce of the United States. It could establish and maintain in foreign countries museums of American products, and keep agents in the field to establish business connections. The Chicago Association of Commerce, in fact, already has such an agent in South America. It could supervise exhibits of American goods at foreign expositions; look after the advertising of American goods in foreign publications; conduct tours of foreign business men in the United States; establish lecture courses in the various cities of the United States by experts in foreign trade; investigate through its agents the standing of particular firms desiring credit; promote the rehabilitation of the American merchant marine; assist in the regulation of ocean freight rates and protest against those which become exorbitant; actively assist the consular service in the reporting of detailed information, much of which cannot be covered by consuls at present because of the pressure of other duties, limitations naturally applying to government officials, etc.; lend active assistance to the establishment of American banking and credit institutions abroad, now one of the crying needs of American commerce, especially in Latin-America; promote the establishment of direct steamer service to markets which now have to be reached from the United States by transshipment; and perform a multitude of other services outside the scope of the Bureau of Foreign and Domestic Commerce and too expensive for small associations. However, aside from publishing considerable information on various features of foreign trade, and authorizing a tourist in South America to represent the chamber, it has so far not entered actively on this branch of its work; when it begins to supply any such services to American exporters as those enumerated there is no doubt that its field will broaden quickly enough.

The machinery with which the Chamber of Commerce is going about its work is not elaborate, but with such minor changes from time to time as are found expedient is proving very practicable. The general direction of the work is in the hands of a board of directors of twenty-five besides the officers of the chamber, and the work itself is carried on by a general secretary and assistants, with headquarters in Washington. An executive committee is composed of twelve of the directors, and there are other standing committees on foreign commerce, domestic commerce, transportation, legislation, currency and banking, etc. The elective officers include a president, four vice-presidents, and a treasurer, chosen by the board of directors.

A unique feature is the national council, made up of one representative from each organization member. This council acts in an advisory capacity to the board of directors, and it is also one of the duties of each national councilor to see that every question submitted to a referendum vote is brought to the attention of the body he represents. Interest in the work of the chamber is stimulated by a force of field secretaries who are constantly traveling, under the direction of the president, securing new individual and organization members, observing and reporting on the work of active local bodies, and promoting the work of the chamber in general. They operate mostly from the three branch offices of the chamber established in New York, Chicago, and San Francisco. A plan of establishing several other branch offices was tried but abandoned. The standing committees of the chamber have been active; and one, the committee on statistics, attracted wide attention last spring through its publication of a map showing the state of business in different parts of the country, while another has been instrumental in having courses installed in leading universities for the training of commercial secretaries.

The annual dues of each organization member are fixed at approximately one half of one per cent of its annual income from membership fees, providing the total shall not be less than \$10 nor more than \$700. Individual members pay dues of \$25 each annually. Enrolled organizations are entitled to be represented at all meetings by one delegate and one vote for the first twenty-five members on its rolls and an additional delegate and vote for each two hundred members over twenty-five, no association, however, being allowed to have more than ten delegates and ten votes. A meeting of the chamber is held annually.

The new organization is thus fairly established and future prospects are bright. Twice before such an organization has been started, but in neither case has the field been adequately covered. One of these associations, the National Council of Commerce, was formed in 1907 but existed only two or three years. It was never truly representative and never really found itself. The other is the National Board of Trade, formed in 1868 and still in existence. It has been more or less active in the discussion of current questions of business interest, but cannot be said to be representative of the combined commercial organizations of the country. The fact that the attempt to establish such a representative has been made the third time is evidence of the need for it, and is practically an assurance that the association that fully meets this need will become permanent.

The best guarantee that the present body will carry on successfully the work for which it was created is the fact that the men behind it seem to have a clear conception of the scope of this work and its relation to the other activities of the country.

OTTO WILSON.

Washington, D. C.

AGRICULTURAL Co-OPERATION. Circular 94 of the New York State Department of Agriculture, called *A Manual on Coöperation* (Albany, 1914), reviews coöperative activity as it exists in New York state. The state maintains a Bureau of Coöperation within the Department of Agriculture, which not only keeps in touch with both distributive and productive coöperation throughout the state, but also renders active aid to whomsoever requests it. The circular contains much routine material, such as the obvious maxims of coöperation, sample by-laws for coöperative societies, information about the way in which to incorporate, and so on. Its real interest lies in the descriptions of two coöperative activities which have recently developed—the Citizens Co-operative Supply Company of Schenectady and the Hudson River Fruit Exchange, Inc. of Milton.

The Schenectady undertaking grew up among some of the skilled mechanics employed in a great industrial plant, and in order to lessen the cost of living by coöperative distribution of customary non-perishable groceries. The development was along familiar English or Rochdale lines. The Hudson River Valley experiment grew up among apple growers living in the vicinity of Newburgh and Highland. The development at first was solely along conventional fruit and berry marketing lines, and was eminently successful, as the association had the foresight to engage a capable and energetic manager, a man brought in from Minnesota. The chief point about the Fruit Exchange is the manner in which it expanded its operations from the marketing of produce to the purchasing of supplies. At the end of the first season (1912) the fall fruit crops were practically failures, and the manager devoted his energy to obtaining supplies more cheaply. Oats, selling locally at sixty-six cents, were brought direct from the northwest grain fields and sold for thirty-eight cents. This led to the purchase of bran, middlings, scratchfeed, corn, etc.; and over twenty carloads were disposed of during the first winter at a saving of \$2,500 to the members of the association. Later spray materials, fertilizers, and other heavy farming supplies were purchased in the same way. The first season, with a paid-in capital of

\$500, the association did a \$110,000 business. The second season a capital of \$1,200 provided for a \$232,000 business.

The North Carolina Agricultural Experiment Station of the College of Agriculture and Mechanic Arts (West Raleigh, N. C.) has issued Bulletin 225 (February, 1914) on *How Shall Farmers Organize?* It deals with the necessity for agricultural coöperation, and explains some of the pitfalls that are met with, as well as the technical methods of forming coöperative associations, etc.

The twenty-sixth number (1913) of the *Minnesota Farmers' Institute Annual* is devoted to coöperation. The *Annual* has 320 pages, of which a goodly number are advertisements; The whole book is a monument to close agricultural organization. The attendance at the 1913 meetings amounted to over 95,000; and apparently the economic advantages of coöperative activity, not only in creameries, but also in egg selling, cow testing, fruit growing, fire insurance, potato warehouses, elevators, laundries, cheese factories, groceries, etc., are beginning to be appreciated. Socially, coöperation is proving a success in the farmers' clubs of the state. The *Annual* contains much material regarding improved agricultural methods, as well as information about coöperation.

Bryn Mawr College.

F. A. DEWEY.

The Department of Commerce has published a pamphlet on *Commercial Organizations in Germany*, by Archibald J. Wolfe (Washington, 1914, Special Agents Series, No. 78, pp. 170). This includes a chapter containing a brief review of the principal German cartels whose object is to control output and prices. Most of the report, however, is devoted to chambers of commerce and similar organizations.

The Department of Commerce has also published: *Commercial Organizations in Southern and Western Cities*, by George W. Doonan (Special Agents Series, No. 79, pp. 54); *Cotton Goods in Portuguese East Africa*, by Ralph M. Odell (Special Agents Series, No. 82, pp. 35); and *South America as an Export Field*, by Otto Wilson (Special Agents Series, No. 81, pp. 216). The principal countries are here described according to their physical features, development of agriculture, mining, manufactures, transportation, and foreign trade.

The question of parcel post is further treated in a speech of Senator Bristow, February 25, 26, and 28, 1914, published in the *Congressional Record* (pp. 32). There is also to be noted *The Parcel-Post Rates*, statistical data submitted to the United States Senate by

Senator Bristow (Washington, 1914, Sen. Doc. No. 435, 63 Cong., 2 Sess.).

The proceedings of the first national conference on *Marketing and Farm Credits*, held in Chicago, April 9-10, 1914, has just appeared (pp. 229).

The Papers and Proceedings of the Seventh Annual Meeting of the Minnesota Academy of Social Sciences (Minneapolis, 1914, pp. 181) contains several papers on coöperation among which are to be noted "Coöperation in Minnesota," by L. D. H. Weld; and "Coöperation in wool marketing," by M. Brown.

Corporations

REPORT OF THE ST. LOUIS PUBLIC SERVICE COMMISSION ON THE ST. LOUIS WATER WORKS. This is the third and final report issued by the St. Louis Public Service Commission, whose work was taken over by the state utility commission. It maintains the high standard set by the previous reports on the united railways and the telephone systems. It is of special value, if for no other reason than that an analysis of statistics of a large city water works plant is made for a long period of years, 1835-1912. The report gives a detailed history and description of the plant, itemized valuation of the parts, a discussion of the distribution system, and the financial development of the plant, in addition to the text of the report in which is discussed the more important economic questions involved in the valuation.

One of the purposes of the investigation was to determine to what degree the water works was self-supporting. The commission found that during the seventy-eight years of its existence the works had not been able to pay for itself and at the same time pay the interest on the bonds, although for many years it had paid operating expenses and had had a considerable surplus. Three tests were applied in testing its financial success:

(1) Did it pay interest on the investment and a sum equal to the taxes which would have been received if the works had been privately owned?

(2) Did it pay interest on investment, with no allowance for lost taxes?

(3) Did the works return operating expenses and interest on outstanding bonds?

Under the second and third tests a favorable result was shown.

The commission states that a privately-owned public utility is entitled to that rate of return which will persuade money to enter the

business under full knowledge of the conditions. It deduces from this principle that a municipal-owned utility should be governed by this same principle, and the proper return which this publicly-owned utility should make is at least the cost of money realized from the sale of municipal bonds. It is doubtful if such a principle should be strictly applied. The cost of money realized from the sale of municipal bonds is the interest, and a plant is scarcely self-supporting if it returns only interest, even if the returns are sufficient to keep the plant in such a condition that no fund is set aside for depreciation. Again, if bonds are sold to purchase or install the plant, does it always follow that the return for the use of the plant should contribute nothing to the payment of the bonds? A water works system being so closely connected with the public health may well be provided for by general tax levies and it is conceivable that its service might be sold for less than cost of production. There is great danger, however, in attempting to apply to such public utilities as water works the principles of private business and investment. The report states that the taxpayers have contributed 70.5 per cent of the cost of the present water system, the bondholders 12.5 per cent, and the water users only 17 per cent. The taxpayers under the city charter cannot receive any compensation from the water user, since all revenues from the works must be used for water works purposes. It is argued that a fund should be built up from these revenues to secure a constant and adequate supply and not used to reduce the rates to users. The commission holds that depreciation can be calculated only roughly, for the life of pipes is so long and conditions of operation in different localities are so varied. Again, depreciation cannot be distinguished from maintenance in many cases.

Both the flat rate and water system is used, the former being supposed to be applied to the largest consumers. The commission recommends the installation of meters for all consumers, since under the present system the wasteful users are enabled to make the careful users pay for extravagant use of water. The flat system to householders makes possible an extravagant use, and some of the causes assigned for large use by residences are for sprinkling, to prevent pipes from bursting in winter, permitting the water to run, unnecessary lawn sprinkling, and for use in water-motor washing machines. The commission recommends a flat charge and a rate of 9 cents per thousand gallons for all users.

The report has much detailed and accurate information in the form of tables, not only as to valuation of particular parts of the plant, but also as to the finances of this plant during its long history.

Such reports as this commission has issued are of real value in deciding both the question of municipal ownership and that of public regulation of municipal utilities as compared with the too numerous glittering generalities about these problems. They show the result of a careful analysis of the operation of these utilities, and it is this character of the report, and not its *obiter dicta*, which is of greatest value.

W. F. GEPHART.

Volumes 2 and 3 of *Bills and Debates in Congress Relating to Trusts, Fifty-seventh Congress, Second Session to Sixty-third Congress, First Session, Inclusive, December 1, 1902 to December 1, 1913* (Washington, 1914, pp. 1115-2403) have just been published for the use of the Committee on the Judiciary of the House of Representatives. Volume 1 appeared in 1903, being published as Senate Document 147, 57 Congress, 2 Session.

An enormous amount of data relating to the railroad question may be found in the *Congressional Record* for May 12, 1914, containing the speech of Senator LaFollette. The speech itself covers only 8 pages, but the evidence extends a little over 350 pages. There is a diagram showing the influences bearing on the Interstate Commerce Commission.

The report of the Public Utilities Commission of the District of Columbia on *Telephone Service in District of Columbia* has been published as Senate Document No. 368 (Washington, 1914, 63 Cong., 2 Sess., pp. 56).

The address before the annual convention of the Association of Edison Illuminating Companies, December 11, 1913, on *Proper Bases for Valuation of Public Utility Properties for the Purpose of Rate Making*, by Professor D. C. Jackson of Massachusetts Institute of Technology, has been printed by order of the association (pp. 19).

Secretary Frederick R. Fenton of the Investment Bankers Association of America has just issued a forty-page bulletin embodying the report of general counsel to the Board of Governors on their work since last October. The report points out the results obtained in legislation, litigation, income tax rulings, and other subjects, besides showing the need of constructive legislation along certain lines. The subject of taxation is also reported upon. The Tennessee blue sky law, just passed, and the Ohio blue sky law, as recently amended, are printed in full. Another bulletin contains the opinion of counsel for the association on the operation of New York's new banking law. Under this law, which becomes operative October 31, 1914, resident

investment bankers and houses outside the state maintaining offices in the state will be prohibited from using the term "banker" or any of its derivatives.

The Bureau of Railway News and Statistics has issued *Railway Statistics of the United States of America for the Year ending June 30, 1913, Compared with the Official Reports for 1911 and Recent Statistics of Foreign Railways*, prepared by Slason Thompson (Chicago, 1914, pp. 137).

The judgment rendered in the case of the Board of Railway Commissioners for Canada in the matter of the complaint of the Vancouver Board of Trade alleging discrimination in freight rates by the railway companies operating in the province of British Columbia, and the consideration of the matter of rates for the carriage of freight traffic upon railway lines in Canada, west of Port Arthur, Ontario, has been printed (Ottawa, A. D. Cartwright, secretary, pp. 93).

Pamphlets relating to the railway question have been received as follows: *The Prejudice Against the Railways*, an address before the Chamber of Commerce, Lynchburg, Va., Apr. 30, 1914, by Fairfax Harrison, president of the Southern Railway Company (pp. 7); *Should Railway Rates be Raised? An affirmative Answer*, an address by William A. Hayes at the annual banquet of the Milwaukee Traffic Club, Jan. 20, 1914 (pp. 16); *The Fair Method of Paying for Transporting the Mails*, published by the Committee on Railway Mail Pay (Ralph Peters, chairman, Apr. 30, 1914, pp. 26); and *Testimony of Samuel Rea, President of the Pennsylvania Railroad Company, before the Interstate Commerce Commission in the Matter of Increased Freight Rates* (pp. 19).

A letter of Albert Halstead, United States Consul at Birmingham, England, transmitting reports of the results of *British Municipal Trading Undertakings*, has been published as House Document No. 710 (Washington, 1914, 63 Cong., 2 Sess., pp. 23).

Labor

Bulletin 126 of the Bureau of Labor Statistics contains a collection of *Workmen's Compensation Laws of the United States and Foreign Countries* (Dec. 23, 1913, pp. 477). A broadside gives a useful digest. Bulletin 143 treats of the *Union Scale of Wages and Hours of Labor*, May 15, 1913 (Mar. 4, 1914, pp. 150); and Bulletin 137 treats of *Wages and Hours of Labor in the Building and Repairing of Steam Railroad Cars: 1890 to 1912* (Dec. 31, 1913, pp. 89).

Public Finance, Taxation, and Tariff

THE NEW UNEARNED INCREMENT TAX IN ALBERTA. The Province of Alberta, Canada, has won for itself the distinction of having enacted what is apparently the first unearned increment tax law to be placed upon an American statute book. By an act "assented to" October 25, 1913, and put into operation immediately, the province appropriates to itself one twentieth of all increases in urban land values.

The new tax is a source of provincial rather than local revenue. It is entirely independent of the municipal land taxes which have attracted such widespread attention to Alberta. Indeed, the present government, under the bold leadership of the Premier, the Hon. Arthur L. Sifton, has succeeded in making of Alberta a very close imitation of a single-tax paradise. The two largest cities in the province which operate under special charters, Calgary and Edmonton, have for some time received attention from taxation experts because of their system of taxes on the unimproved value of land.

Not content, however, with allowing the cities to serve as experiment stations for the single tax, the Legislative Assembly of the province some time ago exempted from taxation all improvements in the large number of minor municipalities which lie directly under its control. It has now supplemented this law with the new Unearned Increment Act. As a result of this legislation, practically all the local taxes, the only direct taxes levied, fall upon bare land values, and in addition the provincial treasury levies a special five per cent tax on the land-value increases. The law is so drawn that only in rare instances is the rate applied to other than urban lands. Section 3, subsection 1, of the act reads:

There shall be payable upon the registration under *The Land Titles Act* of any transfer of land a tax of five per cent on the increased value of the said land over and above the value thereof according to the last preceding value for the purposes of this Act, excluding in all cases the cost of improvement or development work actually made or done upon or in connection with the said land.

In addition to the allowance for the cost of improvements, exemption from the tax is extended to farm land, with certain limitations. Farm land is described as "undivided land of which at least ten per cent was under cultivation and which was actually and *bona fide* used by the transferor for agricultural purposes during the twelve months preceding the transaction which results in the transfer" (sec. 3, sub. 3). Excess area of such land beyond 640 acres, "in which the transferor was beneficially interested immediately before the transaction which results in the making of the transfer," is subject to

the five per cent levy, but only "to the extent of the excess value of the land transferred beyond the sum of \$50 per acre without improvements" (sec. 3, sub. 3). The revenue from such a levy on farm land would of course be negligible but the real purpose of this provision is doubtless social rather than fiscal. It is evidently intended to discourage the practice of building up large estates.

The 1913 municipal assessments were adopted, at the suggestion of Provincial Treasurer C. R. Mitchell, as a level from which increases in value might be measured. This course saved the provincial government the expense of making a general assessment. But assessments were available only for the lands included within the municipalities at the time of the passage of the act, October, 1913, for until recently direct taxes in Alberta on land in the country have been levied on an acreage basis. To meet this situation the act provides that lands brought within corporation lines after that date be given an arbitrary initial valuation of \$15 per acre (sec. 14). Much of the land which has been or is about to be annexed to the various municipalities is worth more than this amount, a great deal of it being valued at more than \$1,000 per acre. An initial valuation higher than \$15 per acre may be obtained if the owner cares to demand it of the registrar of land titles within a year; but the initiative must come from the land-owner. Thus the provincial government escapes the expense of any assessment at all. But the owners of these outlying tracts have thus far shown little disposition to seek a high initial valuation for their lands. The officials feel that this is because of carelessness and they anticipate loud complaint when the year of grace shall have expired and the \$15 minimum is enforced.

To assist in the administration of the law, the secretary-treasurer of every municipality is required to furnish the registrar of land titles with a copy of his assessment roll as finally revised (sec. 5, sub. 1). The registrar must then note the assessed value upon the certificate of title of each parcel of land (sec. 5, sub. 2). Payment of the tax is made a necessary condition to the registration of the transfer (sec. 6). No tax is levied upon the registration of any land grant from the crown or upon the transmission of the land of a deceased person to his heirs (sec. 3, sub. 2).

To prevent fraud through misstatements of the purchase prices of lands, it is provided, through amendments to the Land Titles Act, that both transferor and transferee shall take oath as to the consideration involved (sec. 117, sub. 2). Moreover, if the registrar is not satisfied that the sworn statements are correct, he may cause an inde-

pendent valuation to be made, which shall be binding for the purposes of the act (sec. 117, sub. 4). It is the opinion of the officials that some misstatements are made in the transfers in spite of these provisions, but they feel that these are not of particular moment. "If the value is not caught this time, it will be the next" is their attitude.

The fiscal results of first six months of the new tax have not come up to the expectations of the government. The average monthly revenue has been approximately \$3,500. It is confidently expected that the total returns for the year will amount to at least \$50,000, but the past winter has been one of depression in Alberta. With a return of real-estate activity the tax will become of very much greater fiscal significance.

Columbia University

ROBERT MURRAY HAIG.

The Transactions of the Commonwealth Club of California for May, 1914 (vol. IX, no. 4, pp. 229-303), contains the text of the committee reports and addresses presented to the club on the six tax amendments of the constitution now before the voters of the state to be passed upon at the November election. Three of these amendments provide exemption for colleges and shipping, and grant local option in the exemption of other property. The other three subject to taxation the property of counties and cities located outside of their boundaries, abolish poll taxes, and limit the privilege of voting on bond issues to taxpayers.

C. C. W.

An intimation of an unusually high degree of efficiency in the assessment of property in the state of Wisconsin is found in a pamphlet recently issued by the state tax commission, *How to Assess Property in Cities and Rural Towns. Practical Suggestions*, by H. V. Cowles and J. H. Leenhouts (Madison, 1914, pp. 62).

C. C. W.

The State Board of Accounts, of Indiana, has published *Indiana Statutes relating to Fees and Salaries, concerning the Fees and Salaries embracing all State Institutions, State, City, Town, County and Township Officials of the State of Indiana* (Indianapolis, 1913, pp. 312).

The Extension Division of Indiana University has published in *Indiana University Bulletin*, Vol. XII, No. 4., *Proceedings of a Conference on Taxation in Indiana*, held February 5-6, 1914 (pp. 189). Among the addresses are "Defects in the taxation of corporations," by O. L. Pond; "Some features of the Michigan system," by Professor Friday; "Taxation of the unearned increment," by Professor J. F. Johnson; "The appointment and supervision of local assessors," by

T. S. Adams; "Taxation of money and credits in Minnesota," by Professor Phelan; and "Classification of land for purpose of taxation," by Professor Rawles.

Insurance and Pensions

STATE POWER TO REGULATE INSURANCE RATES. The power of a state to regulate the rates for insurance has recently been upheld by the Supreme Court of the United States in the case of the *German Alliance Insurance Company v. Lewis*. Kansas passed a law, requiring every fire insurance company doing business in the state to file with the superintendent of insurance the schedule of rates. The superintendent of insurance was given the power to compel the company to raise or lower the rates. The question reached the Supreme Court through a bill in equity to restrain the enforcement of the act on the ground that there was a denial of equal protection of the law, granted by the fourteenth amendment to the Constitution of the United States. This was true, it was alleged, because under the Kansas law farmers' mutual insurance companies were exempted from the provisions of the act. The act further distinguished between fire insurance companies and other insurance companies, individuals and persons, and also between insurance and other lines of business, thus further violating the equality treatment of the fourteenth amendment.

The decision hinged upon the question whether insurance is a private business or one which has become so affected with a public interest as to justify a regulation of its price by public authority.

It was argued on the one hand that fire insurance is a private business and that regulating its price constitutes the taking of private property for a public use; further, that the business of insurance is a natural right, receiving no privilege from the state, is voluntarily entered into, and cannot be compelled. However, the court stated that the essential question was whether a contract of fire insurance is private, or the business of insurance so far affected with a public interest as to justify legislative regulation of its rates. The court then reviews the businesses which have become so considered and admits that in most instances these cases have referred only to property contracts and not to personal contracts, since the fire insurance contract is a purely personal contract.

The court discusses the *Munn v. Illinois* case and its implications and applies the reasoning of that case to the one under consideration. It is pointed out that the insurance contract, although a personal one, is now subjected to various kinds of regulation on the ground that the

character of the contract brings into it important public interests, as, for example, the maintenance of solvency and the protection of a large part of the wealth of the country by the insurance contract. It is a practical necessity in modern business transactions and is, therefore, different from the ordinary commercial contracts. Finally, the court holds that it is not a question whether such regulation of rates is necessary. This is a legislative question. The function of the court was to determine the existence of such a power to regulate these rates and this it does affirm.

The dissenting opinion delivered by Mr. Justice Lamar and concurred in by the Chief Justice and Mr. Justice Van Devanter is quite as interesting as the majority opinion. This opinion holds that the statute in question does not deal with public safety or morals or monopoly, but refers wholly to the fixing of the price of a strictly personal contract. It holds that the law does take private property in violation of the Constitution. It follows, therefore, state the dissenting judges, that if the power to regulate includes the power to fix the price in private contracts, the price for any service or commodity can be regulated by the general assembly.

It is argued that the *Munn* case fixed the price of property once of a private but later of a public nature. The dissenting opinion clearly holds that the fire insurance contract is of private nature and that no public interest is so involved as to justify a regulation of its price.

Summing up the case one finds that it rests upon an interpretation of what constitutes a public interest. With the increasing development of business of a national character, one finds the twilight zone extending and all rules for the location of points are increasingly difficult to apply. The situation in regard to the legal status of insurance is growing increasingly complex.

During the present term, in the *Deer Lodge* case, the Supreme Court has again held that insurance is not interstate commerce, and the present decision both in the majority and minority opinions emphasizes the power of the state over insurance. Those who are arguing for state insurance may well receive some encouragement from the fact that the highest court holds that it is affected with such a public interest as to justify public regulation. Private insurance officials also add strength to the argument for state insurance by frequently arguing that insurance is not a business for profit, thus again emphasizing, although unintentionally, the public aspects of insurance. Probably many will find the dissenting opinion the stronger, but it is difficult to agree with that part of the opinion which holds that the

price in all private contracts can be regulated because it so happens that one private contract in which a public interest is involved has its price regulated.

The real distinction would seem to be not only between private and public contracts, but also between private contracts with a public interest involved and those without such an interest.

W. F. GEPHART.

Demography

THE PROBLEM OF IMMIGRATION IN MASSACHUSETTS. The Massachusetts Commission on Immigration, appointed in 1913, has concluded its work and issued an admirable report (*Report of the Commission on Immigration on the Problem of Immigration in Massachusetts*, H. Doc. No. 2300, Boston, 1914, pp. 295). The investigation followed in general the lines of the New York State Immigration Commission appointed by Governor Hughes in 1908. The scope of the work was broad, covering all phases of the immigration problem, as it applies to Massachusetts, including the history of immigration to the state, distribution of immigrants, housing, occupations, the immigrant and public morals, the education of the immigrant, naturalization problems, abuses and frauds to which the immigrant is peculiarly liable, immigrant savings banks, notaries public among immigrants, the immigrant and improved medical standards, the problems of dependency among immigrants, the foreign language press, and organizations for self help among immigrants. The report ends with an outlined state immigration policy.

The appointment of state commissions on immigration is an indication of a changed public attitude toward the whole problem of the alien. Until within recent years we have been interested almost exclusively in the question of the admission or rejection of the immigrant, of the open or closed door at the port. But that was a national, not a state problem. What does concern the state, however, is the whole series of relations and adjustments between the immigrant and the resident, between the alien and the citizen, and it is now coming to be recognized that the immigrant, and especially the immigrant ignorant of English, needs the special protection of the law and of public opinion. "The investigations," says the resolve of the legislature under which the commission was appointed, "shall be made with a view to obtaining information for the enactment of such laws as will bring non-English-speaking foreigners, resident or transient, into sympathetic relation with American institutions and customs."

The conclusions of the commission are entirely consonant with the spirit of this resolve:

The state must, at whatever cost, prevent the lowering of its moral, mental and physical standards,—the inevitable result of overwork, underpay, unregulated housing in overcrowded tenements. By provision and enforcement of an adequate plan of education it must dispel the ignorance which begets prejudice, makes the uninformed the victims of reckless agitation, and substitutes violence for constitutional methods of securing redress. If the state is unwilling to meet the cost of thus safeguarding its own interests by promoting the welfare of its immigrant population, then it is not difficult to forecast the overthrow of those democratic institutions which are the result of patient, persistent struggle, century after century, by countless thousands, who have devoted life and fortune to the achievement of liberty under the law.

It is impossible within the limits of a short review to give an adequate conception of the amount and quality of material gathered by this commission. The form in which the document is prepared is excellent, and the text is illuminated by many photographs, some original and some printed before. The appendix consists of a series of statistical tables bearing on foreign immigration to Massachusetts.

The recommendations of the commission cover a very wide field—education, naturalization, distribution, agricultural opportunities, housing conditions, crime, court procedure, savings banks, etc. In general, these recommendations are all in the direction of an extension of educational and other opportunities for the alien, and his greater protection against the manifold dangers to which ignorant and inarticulate new-comers are exposed in a strange land. I shall note here only two or three of the many recommendations of the commission, *viz.*, that a bureau of employment shall be organized under the Board of Labor and Industries, and that the supervision of the present state free employment offices shall be transferred to this bureau; and that a state board of immigration be established (with wide powers). It is also recommended: "in order that the immigrant, whose ignorance of English places him so peculiarly at the mercy of shyster lawyers, may be insured the fair trial which our law intends . . . that the state shall provide attorneys for the defence or 'public defenders.'"

WALTER E. WEYL.

The Bureau of the Census, in Bulletin 122, has published *Estimates of Population 1910, 1911, 1912, 1913, 1914* (Washington, 1914, pp. 24). This contains estimates for cities which had 8,000 or more inhabitants in 1910, and is a continuation of Bulletins 7 and 71 issued in 1904 and 1907.

In part III of the *Annual Report of the Secretary of Internal Affairs of Pennsylvania*, on *Industrial Statistics, 1912*, there is (pp. 20-195) "A study of the industrial conditions of the negro population of Pennsylvania and especially of the cities of Philadelphia and Pittsburgh," by Dr. R. R. Wright, Jr. This study is based on a house to house canvass. In the conclusions it is stated that the negro population has a larger proportion of workers than the total population, showing that the negro race is not a burden to the state; that the large proportion of negroes are immigrants coming to the state after they reach the age of fifteen; that the size of the negro family does not show that the race reproduces itself, marriage being unduly postponed. The study as a whole represents a wide range of investigation based upon concrete data.

PERIODICALS

The REVIEW is indebted to Robert F. Foerster for abstracts of articles in Italian periodicals, and to R. S. Saby for abstracts of articles in Danish and Swedish periodicals.

Theory

(Abstracts by W. M. Adriance)

ALBRECHT, G. *Zur sozialen Theorie der Verteilung.* Jahrb. f. Nat. Oek., III, 47, 1, 1914. Pp. 14.

Deals with Tougan-Baranowsky's theory of distribution in his new book, *Soziale Theorie der Verteilung*, and with the views of Oppenheimer (*Theorie der reinen und politischen Oekonomie*) and Liefmann (*Ertrag und Einkommen auf der Grundlage einer subjektiven Wertlehre*, and *Die Entstehung des Preises aus subjektiven Wertschätzungen*) showing incidentally the anticipation of the views of all three by Eugen Dühring. The discussion centers around the proposition that the theory of distribution is not a value problem. The discussion would run counter to Clark's "specific productivity" thesis. There is no mention of Clark or of other American writers in the same field.

BONAR, J. *Wealth.* Pol. Sci. Quart., June, 1914. Pp. 2.

A review of Cannan's new book.

BULGAKOFF, S. *Die naturphilosophischen Grundlagen der Wirtschaftstheorie.* Archiv f. Sozialwis., 36, 2, 1913.

CLARK, J. M. *Davenport's economics.* Pol. Sci. Quart., June, 1914. Pp. 9.

One of three noteworthy reviews (cf. under Fetter and Johnson below), appearing almost simultaneously, of Davenport's *Economics of Enterprise*. Defends the "specific productivity" theory.

ELSTER, A. *Wirtschaft und Mode.* Jahrb. f. Nat. Oek., Aug., 1913.

FETTER, F. A. *Davenport's competitive economics.* Journ. Pol. Econ., June, 1914. Pp. 16.

Makes it clear that where Davenport is really progressive—not merely sensational—Fetter has much in common with him. Davenport's loan-fund theory of interest is reduced to the Hibernian proposition that "wealth to loan cannot be loaned until after it is already loaned, whereupon it can be loaned again." Davenport's defense of "productivity" as an explanation of interest is held to involve a begging the question. Davenport is shown to be "acquisitive" rather than "social" in that he regards his essential views as his own private property, whereas they really belong to a considerable group of thinkers who in the last decade or two have jointly wrought a complete reformulation of economic theory.

FETTER, F. A. *Esquisse d'une théorie général de la rente.* Pol. Sci. Quart., June, 1914. Pp. 2.

A review of Samsonoff's book of the above title. Further proof of "the present isolation and growing abandonment of the Ricardian rent doctrine."

GRAY, L. C. *Rent under the assumption of exhaustibility.* Quart. Journ. Econ., May, 1914. Pp. 24.

A study of the rents yielded by such exhaustible wealth as coal mines. Rent is not the yield of the "indestructible qualities" of such wealth, but is the actual net yield in the sense of the surplus of income over expense. It therefore includes what is called the "royalty" or depreciation offset. At the end there is a study of the effects of various kinds of taxes upon such wealth.

HASBACH, W. *Grundbegriff, Aufgaben und Methode der Wissenschaft von der Volkswirtschaftspolitik.* I, II. Zeitschr. f. Socialwis., Jan., Feb., 1914.

HEYN, O. *Nutzen und Kosten als Ausgangspunkte des menschlichen Wirtschaftens.* I. Zeitschr. f. Socialwis., Mar., 1914. Pp. 13.

A reply to Liefmann's views (*cf.* below) on price determination. Agrees that economists might get along without the term "value" (though he prefers to use it), and explain price in terms of utility and cost; but proceeds to make cost a derivative of utility, and defends a purely subjective analysis. The two articles are typical of the controversy now being carried on between the modern Ricardians and that group of value theorists which includes the Austrians, and has been strongly reinforced by American accessions.

HUART, A. *Richard Cantillon, précurseur des Hédonistes.* Monde Econ., May 17, 1913.

JOHNSON, A. S. *Davenport's economics and the present problems of theory.* Quart. Journ. Econ., May, 1914. Pp. 30.

Undertakes an exposure of the inner inconsistencies of the book in great detail.

KOEPPE, H. *Das "sozialitäre" System Eugen Dührings.* Archiv f. d. Geschichte des Sozialismus u. der Arbeiterbewegung, IV, 3, 1914. Pp. 46.

A study of the significance of Dührings thought and work both for his own time and for the present.

LIEFMANN, R. *Das Wesen der Wirtschaft und der Ausgangspunkt der Nationalökonomie.* Jahrb. f. Nat. Oek., III, 46, 5, 1913. Pp. 47.

An attack on modern value theory. In admitting "scarcity" as a factor, subjective-value theorists are accused of an inconsistent departure from their supposedly subjective treatment. Liefmann would read the word value out of economic literature, and would explain prices by resort to utility and cost alone—practically a "demand and supply" formula.

LIEFMANN, R. *Wirtschaft und Technik.* Jahrb. f. Nat. Oek., III, 47, 6, 1914. Pp. 12.

MEZEY, L. *Verteidigung und Ergänzung der Böhm-Bawerschen Preistheorie. Nachwort von Böhm-Bawerk.* Zeitschr. f. Volkswirtschaft., 23, 1-2, 1914. Pp. 9.

Thinks that Böhm-Bawerk has overlooked the possibility that price may in certain cases be determined by buyers' competition, or demand, without the exertion of any influence by sellers' subjective valuations. Böhm-Bawerk shows by citation that he had considered such a case.

O'HARA, F. *Why interest is paid.* Cath. Univ. Bull., Mar., 1913.

OPPENHEIMER, Z. *Wert und Mehrwert. I. Die Monopol-Theorie des Mehrwertes.* Scientia, Mar., 1913.

STEFFEN, G. F. *Utvecklingen af Marx ekonomiska samhällsteori.* Ek. Tids., No. 12, 1913. Pp. 31.

Discusses the development of Marx's social theories.

TURGEON, C. *Etude critique du monisme économique de M. Achille Loria.* Rev. d'Econ. Polit., Mar.-Apr., 1914. Pp. 26.

Detailed and captious criticisms of Loria's economic interpretation of history.

VOIGT, A. *Teleologische und objektive Volkswirtschaftslehre.* I, II, III, IV. Zeitschr. f. Socialwis., Aug.-Dec., 1913.

ZOLLINGER, W. *Internationale Wertübertragung und Kapitalanlage im Ausland, ihr Einfluss auf Produktion und Konjunktur.* Zeitschr. f. d. ges. Staatswis., No. 3, 1913.

Economic History, United States

(Abstracts by E. L. Bogart)

ADAMS, E. D. *Correspondence from the British archives concerning Texas, 1837-1846.* Southwestern Hist. Quart., Apr., 1914. Pp. 13.

Contains references to slavery and to the illicit trade between Mexico and the United States.

PAULLIN, C. O. *Proposed historical atlas of the United States.* Hist. Teacher's Mag., Mar., 1914.

A statement of the plan of the Carnegie Institution of Washington to publish an historical atlas of the United States. Considerable space will be given to social and industrial maps.

TEAKLE, T. *The defalcation of Superintendent James D. Eads.* Ia. Journ. Hist. & Pol., Apr., 1914. Pp. 40.

An account of the misuse of school funds in 1855 by the superintendent of public instruction.

TYLER, L. G. *Society in East Virginia.* William & Mary College Quart. Hist. Mag., Apr., 1914. Pp. 8.

Shows that William Wirt's assertion, in his *British Spy*, as to the inequality of property among the whites in Virginia in 1803 was not only untrue at that time, but also down to 1861.

WALKER, A. S. *History of the liquor laws of the state of Washington.* Wash. Hist. Quart., Apr., 1914. Pp. 5.

Economic History, Foreign

(Abstracts by Clive Day)

APPELBERG, R. *Anteckningar om den svenska handelsstatistiken för hundra or sedan.* Ek. Tids., Nov., 1913. Pp. 10.

Swedish trade statistics of a hundred years ago examined and discussed.

BOUTELLIER, P. *Problèmes bretons*. Rev. Intern. du Com., Mar. 31, 1914. Pp. 54.

Foreign competition and the recent crisis in the sardine industry.

BREZIGAR, E. *Die wirtschaftlichen Konjunktur- und Depressionswellen in Oesterreich seit dem Jahre 1896*. Zeitschr. f. Volkswirtsch., 23, 1-2, 1914. Pp. 39.

Study of the statistics of the iron industry and the credit market, supplementary to the author's general theory.

EPSTEIN, M. *The Jews as an economic force*. Fortn. Rev., Apr., 1914.

FERGUSON, J. F. *A Roman solution of the high cost of living*. Moody's Mag., June, 1914. Pp. 4.

Diocletian's edict of 301, with inferences on the standard of living.

HEATON, H. *Assessment of wages in Yorkshire in the seventeenth and eighteenth centuries*. Econ. Journ., June, 1914. Pp. 177.

Material from the Sessions Records of the West Riding.

VON KRIES. *Entwicklungstendenzen in der chinesischen Volkswirtschaft*. Weltwirtsch. Archiv, Apr., 1914. Pp. 14.

Appreciation of the forces making for and against China's industrial development, by a German resident in China.

LAFOND, G. *La situation économique et financière de l'Argentine à la fin de 1913*. Journ. des Econ., Apr. 15, 1914. Pp. 7.

Minimizes the importance of the recent crisis.

MANES, A. *Australische Wirtschaftsprobleme*. Blätter f. Vergleich. Volkswirtsch., Mar., 1914. Pp. 15.

A general survey, sketched in outlines.

OAKENFULL, J. C. *The inherent wealth of Brazil*. Finan. Rev., May, 1914. Pp. 10.

Optimistic forecast, encouraging investors.

TARLE, E. *Deutsch-französische Wirtschaftsbeziehungen zur napoleonischen Zeit*. Schmollers Jahrb., 38, 2, 1914. Pp. 59.

Important contribution to the history of the Continental System, based largely on manuscript material. Napoleon's policy furthered German industry relatively more than French industry.

Economic Geography

(Abstracts by E. V. D. Robinson)

AMES, A. P. *Business and the weather map*. Wld's Wk., June, 1914.

GRIZIOTTI-KRETSCHMANN, J. *Le condizioni naturali ed economiche della Siberia*. Giorn. d. Econ., Mar., 1914. Pp. 26.

The natural resources of Siberia and their exploitation.

HUSMANN, W. *800 Jahre europäischer Steinkohlenbergbau*. Jahrb. f. Nat. Oek., III, 47, 4, 1914.

JACOB, L. *Irrigation in India*. Contemp. Rev., June, 1914.

LAUREYS, H. *Les combustibles minéraux du Canada*. Rev. Econ. Canadienne, Mar., 1914.

First section of a summary based on Porter and Durley's *An Investigation of the Coals of Canada*, made under authority of Canadian government.

MERCADANTE, T. *Le condizioni economiche della provincia di Palermo*. Giorn. d. Econ., Mar., 1914. Pp. 24.

A survey of the industries of Palermo.

MORTARA, G. *Sintomi statistici delle condizioni economiche d'Italia*. Giorn. d. Econ., Feb., 1914. Pp. 28.

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Tariffs and Reciprocity

(Abstracts by Henry R. Mussey)

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GUYOT, Y. *L'entente cordiale au point de vue économique.* Journ. des Econ., May, 1914.

HENNINGSEN, A. *Das Problem beweglicher Zölle in seiner Bedeutung für die Stabilisierung der Getreidepreise.* Weltwirtsch. Archiv, Apr., 1914. Pp. 40.

Advocates sliding scale on new and complex plan.

HIRST, F. W. *The English policy of free trade with the history of tariff reform and its position in 1914.* Weltwirtsch. Archiv, Apr., 1914. Pp. 17.

Brief sketch of tariff-reform history, 1903-1914.

HOCHSCHILLER, M. *Le traité de commerce russo-allemand et l'Allemagne exportatrice de céréales.* Journ. des Econ., Apr. 15, 1914. Pp. 14.

Interesting discussion of the German-Russian grain trade.

JANNACONE, P. *Il "dumping" e la discriminazione dei prezzi.* Rif. Soc., Mar., 1914. Pp. 44.

The forms of "dumping"; the relation of price fluctuations, distance, tariffs, etc.

LORIA, A. *Sul deprezzamento dell'esportazioni*. Rif. Soc., Mar., 1914. Pp. 8.

A dissenting reply to the article by Cabiati in the same number.

MOND, A. *Mr. Bonar Law as free-trader*. Eng. Rev., May, 1914. Pp. 15.

Sharp criticism of Bonar Law's latest position.

RIDOLFI, R. *Il "dumping" considerato dal lato pratico, oppure: un caso tipico di "dumping"*. Rif. Soc., Mar., 1914. Pp. 16.

The author is the director of the Italian Iron and Steel Association; he rejects as "theoretic" Cabiati's defense of "dumping."

WHELPLEY, J. D. *Tariff and politics*. Century, June, 1914.

Insurance and Pensions

(Abstracts by Henry J. Harris)

BAILWARD, W. A. *Some impressions of the first six months' working of compulsory insurance against unemployment in England*. Charity Organ. Rev., May, 1914. Pp. 15.

Faults largely due to the compulsory feature, which the writer hopes will be gradually discarded.

BELLOM, M. *L'assurance en faveur des marins français*. L'Econ. Franç., June 20, 1914. Pp. 2.

Second article; devoted to the Seamen's Provident Fund (Caisse de prévoyance des marins français). Argues that the present plan of annual assessments for current pensions is fundamentally wrong.

BERNHARD, E. *Das Problem der öffentlichen Arbeitslosenversicherung nach seinem gegenwärtigen Stande*. Schmollers Jahrb., 38, 2, 1914. Pp. 28.

Gives survey of problem and states what various countries are doing. Time has arrived when the introduction of unemployment insurance into Germany is only a question of really desiring to undertake it.

BLUMHARDT, E. *Der Uebergang der Versicherung infolge Eigentums- und Besitzwechsels*. Zeitschr. f. ges. Versicherungswis., May, 1914. Pp. 6.

Summarizes German law as to status of parties in the case of property covered by insurance (fire, liability, etc.) when it is transferred.

BRAUN, E. *Ein Beitrag zur Technik der Lebensrückversicherung*. Zeitschr. f. ges. Versicherungswis., May, 1914. Pp. 16.

Formulas, tables, and graphs for a method of testing the adequacy of reinsurance premiums.

COMAN, K. *Unemployment insurance in France*. Survey, June 6, 1914. Pp. 2.

Subsidized insurance making only slight progress. Present need is for better employment agencies.

EMMET, W. T. *An insurance superintendent's unique but deserved findings*. Am. Underwriter, May, 1914. Pp. 7.

Commends the program of social service of a large New York life insurance company.

FEIG, J. *Die neuesten Erfahrungen mit der Arbeitslosenversicherung.* Jahrb. f. Nat. Oek., III, 47, 5, 1911. Pp. 16.

Unemployment in Germany is a national problem of serious import, and the amount of unemployment shows no tendency to decrease. Employment exchanges, leveling out the curve of industrial activity, and providing employment on special occasions, must first receive much attention; and it may then be feasible to introduce insurance on a national scale.

VON FRANKENBERG. *Der Geschäftsbericht des Reichsversicherungsamts für 1913.* Soz. Praxis, May 21, 1914. Pp. 2.

Summary of the first annual report of the German insurance system since the new code has been in full force. The litigation, so conspicuous under the old laws, has been somewhat reduced.

GANNETT, L. S. *Bernhard's Unerwünschte Folgen der deutschen Sozialpolitik and its critics.* Quart. Journ. Econ., May, 1914. Pp. 17.

Bernhard's account of the prevalence of "accident neurosis" is overdrawn.

GEFHART, W. F. *Fire insurance rates and state regulation.* Quart. Journ. Econ., May, 1914. Pp. 18.

Clear statement of the factors involved in rates for fire insurance and shows mistaken policy of recent state legislation.

HALL. *Begriff und Natur der Lebensrückversicherung.* Zeitschr. f. ges. Versicherungswis., May, 1914. Pp. 14.

Reinsurance of lives should be considered as insurance of persons, not as insurance against loss. Reviews regulations in Germany.

HORSTER. *Die Rechtsstellung der Mitglieder bei der Auflösung von Werkpensionskassen.* Zeitschr. f. d. ges. Versicherungswis., May, 1914. Pp. 58.

Traces the rights derived from decisions under German law, of members of establishment funds. Gives good list of sources.

McKITRICK, R. *The Wisconsin life fund: how it is managed.* Survey, Apr. 18, 1914. Pp. 2.

In October, 1913, the state life insurance fund began selling old line policies on mutual plan, but without the services of solicitors. Rates are slightly under those of commercial companies; fund is administered by state department of insurance.

MAUGHAN, C. *Lloyds and insurance.* Quart. Rev., May, 1914.

MATTHEWS, W. H. *Widows' families, pensioned and otherwise.* Survey, June 6, 1914. Pp. 6.

Careful study of the results of pensioning forty-three widows with families. Marked progress shown.

MORIDE, P. *La prescription de la contribution patronale établie par la loi sur les retraites ouvrières et paysannes.* Rev. d'Econ. Polit., May-June, 1914.

Liability of an employer whose contribution under the old-age law has not been paid. Recent decisions are conflicting as to time when a claim against an employer lapses.

MOSER. *Die Sterbegeldversicherung und das Verbot der Pfändung von "Hebungen aus Sterbekassen."* Zeitschr. f. d. ges. Versicherungswis., May, 1914. Pp. 29.

Policy loans are not permissible in the forms of insurance known as death benefit ("industrial") insurance, unless the policy is for amounts exceeding 2,000 marks.

MUGDAN. *Wochenhilfe nach der Reichsversicherungsordnung.* Soz. Praxis, June 4, 1914. Pp. 2.

Sick funds have shown but little desire to provide the additional maternity benefits which the new insurance code permits.

Index of current fire insurance and related-subjects literature. Bull. Ins. Libr. Assoc., Boston, Apr., 1914. Pp. 25.

Maternity in the budget. New Statesman, May 2, 1914. Pp. 2.

In Great Britain at least 1,500,000 wives are at present unprovided for in childbirth. Methods are suggested for providing benefits.

The most promising field for life insurance cultivation—the benedicts and prospective benedicts under age 30. Am. Underwriter, Apr., 1914. Pp. 7.

Publications of recent date relating to agricultural insurance and thrift. Mo. Bull. Econ. & Soc. Intell., Apr., 1914. Pp. 5.

Gives titles of books and periodical articles, official and other.

Three experts discuss compensation insurance. Greater N. Y., June 29, 1914. Pp. 5.

Debate in which the usual arguments are advanced for compensation insurance in (1) stock companies (2) state insurance fund and (3) mutual organizations.

Population and Migration

(Abstracts by William B. Bailey)

ANDREW, A. P. *The cruz of the immigration question.* N. Am., June, 1914.

ANTIN, M. *Immigration.* American, Apr., 1914.

The first of a series of articles dealing with immigration. This issue considers principally admission tests.

BOWLEY, A. L. *Rural population in England and Wales: a study of the changes of density, occupations, and ages.* Journ. Royal Statis. Soc., May, 1914. Pp. 55.

A valuable article showing that since 1901 the rural districts of England are gaining in population.

BERGDORFER, F. *Berücksichtigung bayerischer Verhältnisse.* Allgemeines Statistisches Archiv, VII, 2, 1914. Pp. 92.

An article of very great value. Birth-rate and infant mortality, in Bavaria, are closely related; artificial feeding of infants seems to be responsible for the high infant mortality, and also in part for the high birth-rate.

EFFERTZ, O. *Théorie ponophysocratique de la population avec quelques ré-*

flexions sur la dépopulation française. Rev. d'Econ. Polit., Mar.-Apr., 1914. Pp. 24.

Discusses four theories with regard to the growth of population: (1) welfare of the population dependable upon the amount of cultivable land; (2) upon the labor; (3) upon the money; (4) author calls *ponophysiocratique* a combination of the land and work theories. A rather difficult theory to describe in limited space.

FEHLINGER, H. *Volksvermehrung in Indien.* Zeitschr. f. Socialwis., Apr., 1914. Pp. 8.

Population of India has not increased rapidly during the past ten years; birth-rate fairly high (about forty per thousand population), but in several provinces surpassed by death-rate; cholera and famine principal causes. Disparity in the number of the sexes in certain sections of India makes it probable that the killing of female children at birth has not entirely ceased.

FELD, W. *Zur Statistik des Geburtenrückganges.* Jahrb. f. Nat. Oek., III, 47, 6, 1914.

A study of the causes of the recent decline of the birth-rate in certain European countries.

GILLIN, J. L. *Social factors affecting the volume of crime.* Bull. Am. Acad. Medicine, Apr., 1914. Pp. 15.

Effect of administration of justice, judicial procedure, the factors of density, migration and complexity of population upon crime. Volume of crime affected by certain public institutions, like newspapers, amusement resorts, schools, etc.

VON GOTTBURG, M. *Berufliche Einflüsse auf die Fruchtbarkeit der fortpflanzungsfähigen Bevölkerung.* Jahrb. f. Nat. Oek., III, 47, 3, 1914. Pp. 10.

All classes in Prussia show a decline in birth-rate during the past ten years; most noticeable for those engaged in mining and trade; fecundity still high in agriculture and mining, and low in the professions. Racial distribution has considerable effect; sections with a large Polish element show a higher birth-rate than those in which the German element predominates.

JAECKEL, R. *Der Ehebruch als Scheidungsgrund in der neueren Ehescheidungsstatistik.* Jahrb. f. Nat. Oek., III, 47, 3, 1914. Pp. 11.

Study of infidelity as a cause of divorce in the United States and some European countries.

LANDSBERG, O. *Statistik der Fehlgeburten.* Allgemeines Statistisches Archiv, VII, 2, 1914. Pp. 10.

A study of miscarriages in Madgeburg, showing that more attention should be paid to these in our official statistics. To 5,425 legitimate births there were 1,215 miscarriages, and to 1,022 illegitimate births there were 243 miscarriages.

MARTINI, P. *Die österreichische Volkszählung vom 31. Dezember 1910.* Schmollers Jahrb., 38, 2, 1914. Pp. 10.

Changes in the questions asked and principal census data.

MASSEY, M. P. *Vital statistics in North Carolina*. S. Atlantic Quart., Apr., 1914. Pp. 5.

General assembly of 1913 in North Carolina enacted law requiring registration of all births and deaths throughout entire state.

MORTARA, G. *Nuove ricerche sulla mortalità italiana*. Giorn. d. Econ., Jan., 1914. Pp. 11.

The striking development is the decrease of the death-rate.

MUELLER, J. *Bevölkerungsentwicklung der Vororte von Berlin, London und Paris seit 1801*. Jahrb. f. Nat. Oek., III, 47, 5, 1914. Pp. 8.

Comparative growth of the suburbs of Berlin, London, and Paris since 1801.

MUELLER, J. *Die Zunahme der Bevölkerung in den hauptsächlichsten Kulturstädten während des 19. Jahrhunderts*. Jahrb. f. Nat. Oek., III, 47, 4, 1914. Pp. 2.

Tables giving increase in population in the principal European countries and in United States during nineteenth century.

ROSS, E. A. *The Celtic immigrant tide*. Century, Apr., 1914.

Interesting study of history of Irish immigration to this country, together with characteristics of this race as displayed in America.

SALEEBY, C. W. *The first decade of modern eugenics*. Sociol. Rev., Apr., 1914. Pp. 16.

The recent contributions to the literature and method of eugenics.

SALEEBY, C. W. *Progress of eugenics*. Forum, Apr., 1914.

SCHALLMAYER, W. *Sozialhygiene und Eugenik*. I. Zeitschr. f. Socialwis., May, 1914. Pp. 10.

An endeavor to define the sphere of eugenics.

SENSINI, G. *Teoria dell' equilibrio di composizione dell' classi sociali*. Riv. Ital. di Sociologia, Sept.-Dec., 1913. Pp. 72.

Chiefly an attempt to study the important static and dynamic phenomena in the equilibrium of the composition of the various social classes.

STEINER, L. *Our recent immigrants as farmers*. Rev. of Rev., Mar., 1914.

Proposal for national organization to place before immigrants the advantages of farming and to assist them in finding proper location.

STEPHENSON, G. T. *The segregation of the white and negro races in rural communities of North Carolina*. S. Atlantic Quart., Apr., 1914. Pp. 11.

Proposal recently been made that the general assembly of North Carolina enact a statute providing that wherever the greater part of the land acreage in any given district is owned by one race, a majority of voters in such a district may say that in the future no land shall be sold to a person of a different race. Advise a commission to investigate conditions in the state.

Pauperism and Charities

(Abstracts by Frank D. Watson)

BENTWICH, N. *Legal aid for the poor*. Contemp. Rev., Apr., 1914.

CHARPIN, F. *L'enfance malheureuse en France. La protection de la première enfance.* Réf. Soc., Apr., 1914. Pp. 18.

Various plans for the protection of the child of poor parents during early infancy.

CODDEN-SANDERSON, A. *The crime of poverty.* New Statesman, June 6, 1914.

A description of the harsh conditions found in two English workhouses.

ESCARD, P. *L'organisation de la bienfaisance aux Etats-Unis.* Réf. Soc., May, 1914.

Describes social settlements and the charity organization movement, in addition to certain legislation.

NORMAND, J. *L'assistance publique à Paris.* L'Econ. Franç., Apr. 25, 1914.

Surveys the budget and accommodation of public assistance in Paris, especially of its hospital.

NORMAND, J. *Les enfants assistés du département de la Seine.* L'Econ. Franç., Mar. 7, 1914.

Housing

(Abstracts by James Ford)

CULPIN, E. G. *"The Garden City."* Garden Cities & Town Planning, Apr., 1914. Pp. 12.

Detailed criticism of C. B. Purdom's *The Garden City*.

FLAGG, M. I. *A model farm home: Minnesota's prize rural architecture.* Craftsman, Apr., 1914. Pp. 4.

Design for \$3,500 farm house (10 rooms).

FLESCHE, *Wohnungsgesetz und Wohnungsmelioration.* Soz. Praxis, Apr. 2, 1914. Pp. 2.

Critical consideration of progress of Prussian housing bill.

FORD, G. B. *Housing and town planning.* Journ. Am. Inst. Architects, Mar., 1914. Pp. 4.

HEGEMANN, W. *European city plans and their value to the American city planner.* Landscape Architecture, Apr., 1914. Pp. 14.

Critical comparison of urban housing in Europe and America.

HOOKE, G. *Garden cities.* Journ. Am. Inst. Architects, Feb., 1914. Pp. 12.

IHLDER, J. *Reports on housing.* Nat. Munic. Rev., Jan., 1914. Pp. 2.

Bibliography of recent American housing surveys.

KLABER, J. T. *The garden city of Hellerau a German housing development.* Architectural Record, Feb., 1914. Pp. 11.

Descriptive. Good and abundant illustrations.

SALOMON, M. *Ueber die wirtschaftliche Verwertbarkeit des Erbbaurechts in seiner heutigen Gestaltung.* Jahrb. f. Nat. Oek., III, 47, 4, 1914. Pp. 10.

Economic treatment of German lease-hold system, with reference to housing.

- VEILLER, L. *Protecting residential districts*. Am. City, June, 1914. Pp. 5.
Critical and constructive treatment of American zoning.
- VIVIAN, H. *Copartnership housing in Great Britain*. Am. City, May, 1914.
Pp. 7.

WEBER, G. A. *Report on housing and living conditions in the neglected sections of Richmond, Virginia*. Society for the Betterment of Housing and Living Conditions in Richmond. 1913. Pp. 80.

Distinctive features of survey are: covers one-family frame houses chiefly; over half of the occupants are negroes; yard water-closets and yard hydrants constitute the usual sanitary conveniences; white families average payment of only 11 per cent income for rent, negroes, 14½ per cent. Part II deals with existing housing regulations of Richmond and suggested improvements. The report is prepared with more than average care and thoroughness.

WILLIAMS, F. B. *Building regulations by districts, the lesson of Berlin*. Nat. Housing Ass'n Pub., No. 24, Apr., 1914. Pp. 9.

House building in Great Britain in the years 1900 to 1912. Statistical & other Memoranda upon Pol. & Soc. Questions of the Day, Feb., 1914.

Diminution of houses built for poorer classes under liberal government.

Housing reform in New York City. Report of the Tenement House Committee of the Charity Organization Society of the City of New York, 1911, 1912, 1913, Jan., 1914. Pp. 47.

Useful summary of changes in housing legislation of New York City, 1900-13. Legislative activity of the Tenement House Committee receives major emphasis; eight pages devoted to treatment of the "Grimmer Case" and issues involved.

Manufacturing concrete houses at low cost—works at Midland, Pa. Concrete-Cement Age, Apr., 1914. Pp. 2.

Plans of \$890 houses built by Pittsburgh Crucible Steel Co.

The urban land report. New Statesman, Apr. 4, 1914. Pp. 2.

Approves second part of report of Liberal Land Enquiry Committee.

Statistics

(Abstracts by A. A. Young)

ALTSCHUL, E. *Studie über die Methode der Stichprobenerhebung*. Archiv für Rassen und Gesellschaftsbiologie, X, 1-2, 1913.

BERNHEIMER, E. *Zur Frage der Berechnung von Totalindices in der Semiologie*. Stat. Monatschrift, Apr., 1914. Pp. 6.

An important discussion of statistical indices of economic conditions. Neglects recent American work.

BOWLEY, A. L. *The British super-tax and the distribution of income*. Quart. Journ. Econ., Feb., 1914. Pp. 14.

A more thorough study of the new British income statistics than

that by Stamp, noted below. The lower incomes (indicated by abatements) and the higher incomes (indicated by the supertax returns) seem to be subject to different laws. Pareto's law fits each group of statistics, but while the index of "inequality" is 1.5 in each case the values of log. A no not agree.

BRESCIANT-TURRONI, C. *Il fondamento logico della statistica come scienza e come metodo.* Giorn. d. Econ., Feb., 1914. Pp. 15.

BURGDORFER, F. *Die amtliche Statistik in deutschen Parlamenten.* Allgm. Stat. Archiv, 8, 1, 1914. Pp. 14.

CASSAU, T. D. *Zur Reform der Streikstatistik.* Soz. Praxis, Apr. 16, 1914. Pp. 2.

German official statistics of strikes could be improved by utilizing the coöperation of the *Gewerkschaften*.

COPELAND, M. T. *The need of a federal trade census.* Quart. Pubs. Am. Stat. Assoc., Mar., 1914. Pp. 6.

DAVIES, G. R. *A statistical study of the influence of environment.* Quart. Journ. Univ. N. Dak., Apr., 1914. Pp. 24.

An important study, finding results for America similar to those obtained by Odin for France.

DAVIS, P. V. *The use of graphics in corporation reports.* Moody's Mag., May, 1914. Pp. 4.

Elementary.

DUGE DE BERNONVILLE, L. *Budgets de familles en divers pays.* Bull. Stat. Gén., Apr., 1914. Pp. 14.

The best summary of methods and results available anywhere.

EBERSTALLER, T. *Studentenstiftungen im Jahre 1912.* Stat. Monatschrift, Feb.-Mar., 1914. Pp. 6.

EDGEWORTH, F. Y. *On the use of analytical geometry to represent certain kinds of statistics. (Continuation.)* Journ. Royal Stat. Soc., May, June, 1914. Pp. 18, 25.

Professor Edgeworth continues his brilliant exposition of the possibilities of the method of "translation." The third (May) instalment considers the problems of handling very abnormal curves when the data are given in the form of moments, while the fourth instalment develops the use of percentiles for (1) slightly and (2) considerably abnormal curves.

EXNER, F. M. *Die Korrelationsmethode und ihre Verwendung in der Statistik.* Natw., 1, 1913.

GIDDINGS, F. H. *The service of statistics to sociology.* Quart. Pubs. Am. Stat. Assoc., Mar., 1914. Pp. 9.

GINI, C. *Sull' utilità delle rappresentazioni grafiche.* Giorn. d. Econ., Feb., 1914. Pp. 9.

GREENWOOD, M. and YULE, G. U. *On the determination of size of family and of the distribution of characters in order of birth from samples taken through members of the sibships.* Journ. Royal Statist. Soc., Jan., 1914.

Concludes, as against Karl Pearson and others, "that it would be at least premature to base any conclusions as to the racial effects of restricting fertility upon the view that earlier born members of families are of inferior quality."

GUENTHER, A. *Gebiete und Methoden der amtlichen Arbeitsstatistik in den wichtigsten Industriestaaten*. Soziale Praxis, Jan. 5, 1914.

GUENTHER. *Erkenntnistheorie und Statistik*. III. Deutsches Stat. Zentralblatt, May, 1914. Pp. 3.

Concluding instalment, dealing especially with the thesis of L. von Mises that price statistics throw no light on the causes of the general rise of prices.

HAZELL, W. *Suggestions for recording the life history and family connections of every individual*. Journ. Royal Stat. Soc., June, 1914. Pp. 19.

Proposes a permanent card catalogue of the population.

HECKSCHER, E. F. *Statistikens ställning vid våra universitet*. Ek. Tids., No. 1, 1914. Pp. 11.

The status of statistics at Swedish universities particularly at Lund where an independent department of statistics seems about to be established.

HULL, C. H. *The service of statistics to history*. Quart. Pubs. Am. Stat. Assoc., Mar., 1914. Pp. 10.

History utilizes statistics but does not use the statistical method. A brilliant paper.

INSOLERA, F. *Sulla perequazione mediante curve unimodali semplici*. Giorn. d. Econ., Jan., 1914. Pp. 10.

KINLEY, D. *The service of statistics to economics*. Quart. Pubs. Am. Stat. Assoc., Mar., 1914. Pp. 10.

Statistics furnishes economic facts, lays the basis of empirical laws, shows economic movements, affords a basis for legislation, traces the effects of legislation, establishes general theories.

KOEPLER, H. *Ein problem der höheren Wahrscheinlichkeitsrechnung in seiner Anwendung auf die Statistik*. Ann. Versicherungsw., 44, 1913.

KOLLMANN, P. *"Die berufliche und soziale Gliederung des deutschen Volkes" nach der Berufszählung vom 12. Juni 1907*. Schmollers Jahrb., 38, 2, 1914. Pp. 72.

The first instalment of a thoroughgoing discussion.

LAUCK, W. J. *The necessity of better railway wage statistics*. Annalist, May 11, 1914.

Allocation of wage costs between freight and passenger service is especially needed.

LEHFELDT, R. A. *The elasticity of demand for wheat*. Econ. Journ., June, 1914.

An ingenious computation, utilizing the price of English imported wheat (corrected for the movement of general prices by Sauerbeck's index number) and the amount of the world's crop. Finds a coefficient of elasticity of 0.6,

MAYR, G. v., *Die Statistik als Staatswissenschaft*. Allgm. Stat. Archiv, VIII, 1, 1914. Pp. 10.

The writer defends his well-known views as to the nature and scope of statistics against the "hyper-mathematical statisticians," especially Kaufmann and Forscher.

METHORST, H. W. *Das Internationale Statistische "Office Permanent."* Allgm. Stat. Archiv, 8, 1, 1914. Pp. 6.

An account of the establishment of a permanent office for the International Statistical Institute, together with a succinct history of the organization of international statistical activities, by the General Secretary of the Institute.

MEYER, M. *Zur Statistik der verkürzten Arbeitszeit*. Deutsches Stat. Zentralblatt, June, 1914. Pp. 4.

Results of an investigation in Nuremberg.

MEYER, R. *Ein Versuch auf dem Gebiete der Einkommensteuer*. Allgm. Stat. Archiv, 8, 1, 1914. Pp. 12.

An admirable study of Austrian income statistics.

MITSCHERLICH, W. *Fehlerquellen in der Statistik der Nationalitäten*. Zeitschr. f. d. ges. Staatswis., 2, 1914. Pp. 18.

Defends the accuracy of the Prussian mother-tongue statistics against recent attacks by L. Bernhard, who had charged that they show political bias.

MORTARA, G. *Sintomi statistici delle condizioni economiche d'Italia*. Giorn. d. Econ., Feb., 1914. Pp. 26.

A continuation of the writer's studies in "semiologia economica." Various indices of economic conditions (transportation, foreign commerce, savings, etc.) are combined into a "synthetic index." The (long-period) correlations of the various indices are studied.

MORTARA, G. *Simtomi statistica delle condizioni economiche della Francia*. Giorn. d. Econ., Apr., 1914. Pp. 27.

Similar to the study for Italy, noted above.

MORTARA, G. *Sull' impiego del coefficiente di correlazione nella semiologia economica*. Giorn. d. Econ., Apr., 1914. Pp. 10 (folding plate).

Proposes the coefficient $s = 1 - \sqrt{1-r^2}$, where r is the ordinary coefficient of correlation. This is more rigorous than r , especially for low correlations. But the assigned grounds of preference do not seem altogether satisfactory.

PATON, D. N. and PEARSON, K. *The statistical study of dietaries (reply and rejoinder)*. Biometrika, Apr., 1914. Pp. 6.

A typically Pearsonian controversy.

PEARL, R. *The service and importance of statistics to biology*. Quart. Pubs. Am. Stat. Assoc., Mar., 1914. Pp. 9.

For the general reader this is the best short account available.

PEARSON, K. *On certain errors with regard to multiple correlation*. Biometrika, Apr., 1914. Pp. 7.

Primarily a polemic against Major Leonard Darwin and other writers in the *Eugenics Review*.

PEARSON, K. *Note on the essential conditions that a population breeding at random should be in a stable state.* Biometrika, Apr., 1914. Pp. 4.

PETERSILIE, A. *Zahlen für das Gewicht der Landwirtschaft und ihrer Betriebsgrößenklassen.* Zeitschr. d. k. Preuss. Stat. Landesamtes, 54, 2, 1914. Pp. 25.

POELLNITZ, G. v. *Praktische Verwendbarkeit logarithmischer Diagramme.* Allgm. Stat. Archiv, 8, 1, 1914. Pp. 13.

More especially an analysis of the methods applied to income statistics by Pareto, Gini, and Tabacovici.

PREBRAM, K. *Die Statistik als Wissenschaft in Oesterreich im 19. Jahrhundert.* Statist. Monatsch., Aug.-Sept., 1913.

PREBRAM, K. and FORSCHEIMER, K. *Wirtschaftsstatistische Chronik.* Stat. Monatschrift, Feb.-Mar., 1914. Pp. 41.

An excellent resumé of Austrian statistics for 1913.

RICCI, U. *I limiti della statistica.* Riv. Ital. di Sociologia, Sept.-Dec., 1913. Pp. 27.

An attempt to refine the definition of statistics.

SCHMID, F. *Der statistische Unterricht vor dem Forum der deutschen Hochschulen.* Deutsches Stat. Zentralblatt, Apr., 1914.

A discussion of ways and means of procuring a larger measure of recognition for statistics on the part of German universities and technical and commercial high schools.

SCHMID, F. *Die "Deutsche Bücherei" als Grundlage einer deutschen Literaturstatistik.* Deutsches Stat. Zentralblatt, June, 1914. Pp. 3.

SCHOTT, S. *Götterdämmerung in der Statistik?* Allgm. Stat. Archiv, 8, 1, 1914. Pp. 9.

Holds, as against H. Forcher's recent book, *Die statistische Methode als selbständige Wissenschaft*, that there are important parts of the field of statistics to which the mathematical method is inapplicable.

SOPER, H. E. *Tables of Poisson's exponential binominal limit.* Biometrika, Apr., 1914. Pp. 11.

STAMP, J. C. *A new illustration of Pareto's law.* Journ. Royal Statist. Soc., Jan., 1914. Pp. 5.

The returns of the supertax recently imposed upon British incomes are adjusted very neatly (except for the highest and lowest incomes) to Pareto's income equation, with an index of "inequality" of 1.68.

STOREY, C. J. *The technique of public statistical exhibits.* Quart. Pubs. Am. Stat. Assoc., Mar., 1914. Pp. 5.

"STUDENT." *The elimination of spurious correlation due to position in time or space.* Biometrika, Apr., 1914.

An extension of Hooker's method, but utilizing the correlation of successive differences. Important for students of economic statistics.

NOTES

The secretary has been authorized by the executive committee to include in the *Handbook* for 1914, which will be published as a supplement to the December number of the *REVIEW*, a geographical index of the members, as well as the usual alphabetical list. Changes of address or any errors noticed in the address list of 1913 should be reported to the secretary not later than October 1.

The annual meeting of the American Economic Association will be held at Princeton, N. J., during the Christmas holidays. The 1915 meeting will be at San Francisco in the summer.

The recent development of accident compensation in this country has proven to be a strong stimulus to the scientific study of what is known as casualty insurance, which embraces all miscellaneous lines of insurance outside of life and fire. As a result, a movement has been started among statisticians and actuaries of stock insurance companies, state insurance funds, industrial accident boards, etc., for the organization of a Casualty Actuarial and Statistical Association of America. Dr. I. M. Rubinow, chief statistician of the Ocean Accident and Guarantee Corporation, Ltd., was elected temporary chairman and Mr. C. E. Scattergood, assistant secretary of the Fidelity and Casualty Company (92 Liberty Street, New York City), temporary secretary. Statisticians interested in this new organization may communicate with the temporary secretary.

The Rural Organization Service of the United States Department of Agriculture has been placed under the immediate direction of Mr. C. W. Thompson. While retaining its identity, its name is changed to the Office of Rural Organization and it is combined with the Office of Markets, both offices being placed under the general direction of Mr. C. J. Brand. Messrs. Brand and Thompson are both members of the American Economic Association. The work of the Rural Organization Service was begun, as may be remembered, June 1, 1913, with T. N. Carver as director. Mr. Carver now becomes adviser in agricultural economics to the department. Prior to July 1, 1914, the work was supported by funds supplied by the General Education Board. Owing to a disagreement as to the scope and character of the work to be done, the direction being unwilling to limit the work as desired by the General Education Board, that body decided in December, 1913, to withdraw its support after June 30, 1914. The work is now supported by government funds.

The following table shows the distribution of the membership of the American Economic Association on July 10, 1914, as compared with that of December 20, 1912. In addition to the 2,173 members there were, on July 10, 309 subscribers, making a total of 2,482.

		1912 Dec. 20	1914 July 10			1912 Dec. 20	1914 July 10
<i>N. E. States</i>				<i>Central States</i>			
Maine	18	14		Ohio	93	86	
New Hampshire	16	14		Michigan	46	41	
Vermont	6	7		Indiana	39	38	
Massachusetts	352	310		Illinois	148	131	
Rhode Island	22	15		Wisconsin	60	48	
Connecticut	79	67		Minnesota	38	42	
	493	427		Iowa	26	25	
				Missouri	70	51	
<i>Middle States</i>					520	462	
New York	580	518		<i>Western States</i>			
New Jersey	75	62		Arizona	2	1	
Pennsylvania	180	141		Idaho	5	3	
Delaware	6	7		Nebraska	21	20	
Maryland	35	29		Utah	7	8	
Dist. of Columbia	105	95		Colorado	19	19	
	981	852		Kansas	11	15	
<i>Southern States</i>				New Mexico	3	2	
West Virginia	6	7		Montana	9	7	
Virginia	17	15		North Dakota	9	5	
North Carolina	9	8		South Dakota	4	2	
South Carolina	4	3		Wyoming		1	
Georgia	15	5			90	83	
Florida	9	9		<i>Pacific States</i>			
Tennessee	14	10		Washington	21	22	
Kentucky	13	9		Oregon	12	10	
Alabama	7	8		California	72	75	
Arkansas	2	2			105	107	
Texas	20	17		<i>Hawaii</i>			
Louisiana	19	12				6	
Mississippi	4	3		Canada	42	40	
Oklahoma	8	3		<i>Other Countries</i>			
	147	111			86	85	
				Total	2464	2173	

The Society for the Promotion of Engineering Education held its twenty-second meeting at Princeton, N. J., June 23-26. T. H. B. McKnight, treasurer of the Pennsylvania Lines West of Pittsburgh, made an address on "The financial department of a school or uni-

versity," and Professor Hugo Diemer, of Pennsylvania State College, read a paper on "Education in scientific management."

The American Academy of Political and Social Science is preparing to celebrate its silver anniversary in the spring of 1915.

The National Tax Association will hold its eighth annual conference at Denver, September 8-11.

The Western Economic Society is planning a conference on "American transportation problems" in November and one on "Socialism" in the spring.

The National Municipal League will receive a report from a committee on municipal budgets and accounting at its annual meeting in Baltimore, November 18-21.

The United States Commission on Agricultural Credits has transmitted to Congress part III of its report, *Personal or Short-Term Credit* (Sen. Doc. No. 380, Part III, 63 Cong., 2 Sess., 1914, pp. 32). The American Commission and the United States Commission completed their joint report with the publication of parts II and III. Part II consists of bibliography of literature dealing with agricultural coöperation and rural credit in the United States, with an appendix presenting the laws of the different states bearing upon rural credit unions (Sen. Doc. No. 214, 63 Cong., 1 Sess., 1914, pp. 95).

In January, 1912, the vice-president of the Department of Agriculture and Technical Instruction for Ireland appointed a committee, composed of the most competent authorities, to inquire into the existing systems of credit available for the rural classes in Ireland, and suggest what, if any, improvements, not involving financial assistance from the exchequer, should be made in the system, and to consider especially the form of agricultural credits most suited to the requirements of the occupiers of the land affected by the Land Acts in the Western districts of Ireland, and throughout the entire country. Professor Charles F. Bastable, of Dublin University, and Rev. Thomas A. Finlay, professor of economics in the National University of Ireland, are members of the committee. The report is comprehensive, logically arranged, and carefully indexed (Dublin, A. Thom & Co., 4s. 8d.).

Although the Bureau of the Census did not begin its decennial investigation pertaining to wealth, debt, and taxation until just before January 1, 1914, the first report has come from the press, *National and State Indebtedness and Funds and Investments, 1870-1913* (pp. 204). When the bureau undertook this investigation ten years ago,

no part of the report was published until all parts were ready. This delayed the publication of any of the information gathered from 1903 until 1907. The new policy provides for the publication of results in the form of pamphlet bulletins, each dealing with a specific phase of the subject. A second bulletin dealing with *Taxation and Revenue Systems*, and bringing to date the section of the last decennial report prepared by Professor Plehn, is also ready; and there will soon be a third, *National and State Revenues, Expenditures, and Public Properties*. Further data will be published as quickly as possible after collection, and when all phases of the subject have been investigated, the various bulletins will be assembled.

The Department of Investigation and Statistics of the Industrial Commission of Ohio is conducting an elaborate investigation into the costs of living of self-supporting, wage-earning women in factories, mercantile institutions, and other places of employment throughout the state. The purpose is to furnish information which will assist the legislature in its consideration of bills for a minimum wage for women.

Preparatory to making a report on the advisability of having the state fix minimum rates of wages for workers, the New York State Factory Investigating Commission has circulated a list of questions on the wage problem. It is hoped thus to obtain views and suggestions from a varied experience.

The Social Insurance Department of the National Civic Federation in considering the question, Should there be a systematic scheme of compulsory sickness insurance advocated for state legislation in the United States? has sent out a committee on preliminary foreign inquiry to make a general survey of the field in Europe during the summer.

At the New York School of Philanthropy during the coming year Mary Van Kleeck will give a course on modern industrial conditions and Frederick A. Cleveland will give a course on the administration of social agencies.

An experimental school of vocational education will be opened in the Woolworth Building, New York City, for the business training of the younger employees of the tenants of the building. It will be in charge of a committee of the Merchants' Association in coöperation with the Board of Education.

The National Municipal League has established the Morton Denison Hull prize of \$250, to be awarded annually for the best essay on a

subject connected with municipal government. Information may be obtained from the secretary, North American Bldg., Philadelphia, Pa.

The first volume of Professor Karl Pearson's *Biography of Francis Galton* will soon be issued by the Cambridge University Press.

Professor Norris A. Brisco, of the College of the City of New York, is the author of *Economics of Efficiency* which will soon be published by the Macmillan Company. This is a critical analysis of efficiency, setting forth its demands and giving methods of attainment in a business enterprise.

Professor Edwin L. Earp, of Drew Theological Seminary, has a new book just off the press, entitled *The Rural Church Movement*. It is published by the Methodist Book Concern of New York, and an imprint edition is also being handled by the Association Press, of New York.

The first number of volume I of the *Discussions of the Economic Club of San Francisco* contains various addresses on the defects of the present administration of justice in the United States (Harold E. Haven, secretary).

The National Compensation Journal (John A. Drake, Lansing, Mich.) is published monthly at a subscription price of two dollars.

The New Statesman for May 30, 1914, contains a special supplement on the coöperative movement. This is a draft of the two reports of the committee of the Fabian Research Department which for more than a year has been investigating the subject of control of industry, and as here given was submitted by Sidney and Beatrice Webb. The first report appeared as a supplement of the issue of February 14. The authors are generous in their appreciation of the work which coöperative associations of consumers have performed, and recognize that these associations have accomplished "remarkable financial results."

The June 13 number of *The Athenaeum* devotes special attention to political economy and sociology and prints a leading article on "Some aspects of the growth of national and local expenditure."

A third edition of *A Guide to the Current Periodicals and Serials of the United States and Canada* has been compiled by Henry Ormal Severance, librarian of the University of Missouri (George Wahr, publisher, Ann Arbor, Mich.).

A supplement of *The New Statesman* for June 13, 1914, is devoted to a review of English blue books.

In June appeared the first number of *The Mississippi Valley Historical Review* which will be issued quarterly at a subscription of three dollars (Clarence S. Paine, Secretary-treasurer, Lincoln, Nebr.).

Students of Indian economics will be interested in the first number of the *Journal of the Madras Economic Association* (Madras). It contains surveys of the economic condition of two typical Madras villages.

Recent numbers of *Wirtschafts- und Naturwissenschaftliche Zeit- und Streitfragen*, now in its first year, contained articles on the anti-trust movement, unemployment and poverty in Germany and England in 1913, government and economics, and a series of articles on the International Tobacco Trust. There is also a section of book reviews which includes notice of American and English publications. The journal is edited by M. Ernst and is issued monthly, each number containing sixteen pages, price 50 Pfg. (Berlin-Charlottenburg: Sozialologisches Verlag).

Appointments and Resignations

Mr. James E. Allison has been appointed lecturer in economics of public utilities at Washington University.

Dr. John H. Ashworth has been appointed instructor of economics in Pennsylvania State College.

Dr. Edward W. Bemis has recently undertaken the appraisal of public utilities in the city of Washington, D. C. He is also to engage in a similar undertaking for the appraisal of the street railways of Detroit which, it is expected, will be purchased within a few months by the city.

Dr. John Lee Coulter has been appointed by the United States Commission on Industrial Relations to take charge of and prepare the report on that branch of their work which has to do with agricultural labor and farm tenant problems.

Dr. Lloyd M. Crosgrave, of Harvard University, has been appointed instructor in elementary economics and labor problems at the University of Minnesota.

Dr. Ira B. Cross, of Leland Stanford Jr. University, has been called to the University of California.

Mr. Jay Dunne has been promoted to the rank of instructor in accounting at the University of Chicago.

Dr. Charles A. Ellwood, professor of sociology at the University of Missouri, has been granted a sabbatical year's leave of absence. Dr. L. L. Bernard, of the University of Florida, is to be acting professor.

Mr. F. B. Garver has resigned his position at the University of Chicago to accept an instructorship at Leland Stanford Jr. University.

Mr. D. S. Hanchett, of the University of Pennsylvania, leaves for China in September to engage in Y. M. C. A. work.

Mr. Walton H. Hamilton, of the University of Michigan, has been appointed assistant professor of political economy at the University of Chicago.

Dr. R. F. Hoxie, of the University of Chicago, has been granted a leave of absence for one year to investigate the relation of scientific management to labor unions, under the auspices of the United States Commission on Industrial Relations.

Mr. John Ise has been appointed assistant professor in the department of applied economics and social science at Iowa State College, his work being largely in the field of agricultural and forest economics.

Dr. Eliot Jones, instructor in the University of Pennsylvania, has accepted an appointment as associate professor in the State University of Iowa.

Dr. Thomas L. Kibler has been made the head of the department of economics at the Agricultural and Mechanical College of Texas.

Dr. Oswald W. Knauth has been made assistant professor of economics at Princeton University.

Professor Charles McCarthy has been appointed director in charge of investigations for the Commission on Industrial Relations.

Mr. William L. Leiserson has resigned his position on the Wisconsin Industrial Commission to become assistant director for the federal commission.

Mr. L. C. Marshall, of Chicago University, has returned from a trip to South America under the auspices of the American Association for International Conciliation.

Dr. Algernon A. Osborne has been made assistant professor of economics at Hobart College.

Professor William A. Rawles, of Indiana University, has been elected president of the Indiana Tax Association.

Mr. Robert J. Ray has resigned his position as professor of economics in Keio University, Tokyo, Japan, and will spend a year in study in Germany before returning to the United States.

Dr. Edward Clyde Robbins is to be instructor in economics at Mt. Holyoke College.

Professor E. V. D. Robinson, of the University of Minnesota, is on leave of absence.

Dr. W. A. Robinson has been appointed assistant professor of economics at Washington University.

Professor L. S. Rowe, of the University of Pennsylvania, has gone to South America on six months' leave of absence.

Mr. Horace Secrist, assistant professor of economics at Northwestern University, was engaged during the summer in making for the United States Industrial Relations Commission an analysis of the statistical methods and output of American labor bureaus.

Professor E. N. Tuckey has resigned his position at Syracuse University.

The following additions have been made to the faculty of the Northwestern University School of Commerce: Henry P. Dutton, instructor in factory management; Arthur T. Grossman, instructor in accounting; and William D. Kerr, lecturer in transportation law.

At Oberlin College the departments of economics and sociology have been separated. Harley L. Lutz is promoted from associate professor to professor of economics; H. E. Miller, of Olivet College, is appointed professor of sociology; and Miss Hazel Kyrk, of the University of Chicago, instructor in economics. Miss Gray, for two years instructor in economics, has accepted a fellowship with the Women's Educational and Industrial Union, Boston.

New appointments in the department of economics and sociology at Ohio State University are: V. W. Bruder and M. H. Hunter, instructors; W. C. Weidler, G. L. Harris, and O. F. Wilkinson, assistants.

At the University of Pittsburgh, Mr. A. B. Wright, of the University of Illinois, has been appointed instructor in political science; Mr. Leroy L. Davison, of Purdue University, instructor in commerce; and Mr. Charles Arnold, instructor in journalism.

At the University of Washington, Seattle, Dr. Harry E. Smith of Cornell University has been appointed assistant professor of economics and Mr. Frank J. Laube, instructor of political and social science.

Mr. John H. Roemer, chairman of the Wisconsin Railroad Commission, will give a course of lectures on railway and public utility regulation during the first semester, 1914-1915, in the University of Wisconsin.

Mr. Frank R. Rutter, since 1910 chief of the Division of Foreign Tariffs, has been appointed an assistant chief of the Bureau of Foreign and Domestic Commerce, with special charge of the statistical and economic work. Mr. Louis Domeratzky succeeds Mr. Rutter as chief of the Division of Foreign Tariffs.

At the University of Wisconsin, Dr. R. H. Hess has been promoted to an assistant professorship, and will have charge of the work in transportation and public utilities which formerly was carried on by Dr. Balthazar Meyer, now a member of the Interstate Commerce Commission. Mr. William H. Kiekhoefer and Mr. Henry R. Trumbower have been advanced from the rank of instructor to assistant professor of economics. Mr. Harry Jerome, of the University of Omaha, has been appointed assistant in economics.

